

ASSOCIATED GAS AND ELECTRIC COMPANY

ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

TO THE

STOCKHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 1922

ORGANIZATION
OF THE
ASSOCIATED GAS AND ELECTRIC COMPANY
(Incorporated under the Laws of the State of New York)

DECEMBER 31, 1922

Officers

JOHN I. MANGE.....President
H. C. HOPSON.....Vice-President and Treasurer
S. J. MAGEE.....Vice-President and General Manager
H. D. FITCH.....Vice-President
B. E. MICHEL.....Secretary and Assistant Treasurer
O. E. WASSER.....Comptroller, Assistant Secretary and Assistant Treasurer

Directors

H. D. FITCH.....Bowling Green, Ky.
H. C. HOPSON.....New York, N. Y.
S. J. MAGEE.....Ithaca, N. Y.
JOHN I. MANGE.....New York, N. Y.
deLANCEY RANKINE.....Niagara Falls, N. Y.
E. H. BOSTWICK*.....Ithaca, N. Y.

*E. H. Bostwick died Jan. 11, 1923, vacancy filled by
W. C. Wishart, New York City.

FINANCIAL OFFICE, 61 Broadway, New York City.
PRINCIPAL OFFICE, Ithaca, New York

THE J. G. WHITE MANAGEMENT CORPORATION

Operating Managers
43 Exchange Place, New York City

Transfer Agent for Preferred Stock

The Seaboard National Bank, 115 Broadway, New York City.

Registrar for Preferred Stock

Irving Bank-Columbia Trust Company, 60 Broadway, New York City.

Trustees for Bondholders

First Mortgage Bond and Stock Collateral Trust

Five Per Cent Gold Bonds - - - Philadelphia Trust Co., Philadelphia, Pa.

Collateral Trust Six Per Cent Debenture Bonds - - Philadelphia Trust Co., Philadelphia, Pa.

Collateral Trust Six Per Cent Sinking Fund Gold Bonds Fidelity Trust Co., Philadelphia, Pa.

THIRTEENTH ANNUAL REPORT
OF THE
ASSOCIATED GAS AND ELECTRIC COMPANY

TO THE STOCKHOLDERS OF

ASSOCIATED GAS AND ELECTRIC COMPANY:

The Board of Directors herewith submits its thirteenth annual report for the year ended December 31, 1922 with statements showing the income account and financial condition of the company.

TERRITORY

During the year 1922 the company substantially increased its interests in electric and gas operating properties situated in New York State and generally termed the New York State Group. Similarly in the Kentucky-Tennessee group, additional operating electric properties were acquired in the southern part of Kentucky and the northern part of Tennessee and so situated as to be connected to the company's existing line. At the close of the year 1922 the operating properties were supplying electricity and/or gas to more than 44,000 consumers in the three geographic groups, namely: the New York State properties, the Kentucky-Tennessee properties, and the Ohio properties.

OPERATING PROPERTIES

The New York State properties at the close of the year 1922 rendered electric and/or gas service to 29,770 consumers in 113 communities in the south central section of New York State, the territory having a total population in excess of 107,000. These operating properties included 11 steam and 7 hydro-electric power stations with a generating capacity of 16,225 k.w. and 251 miles of electric high tension transmission lines; also 7 gas plants with a daily capacity of 2,795,000 cu. ft., and 102 miles of mains.

The Kentucky-Tennessee properties rendered electric and/or gas service to 12,513 consumers in 26 communities located principally in southern Kentucky and northern Tennessee and having a total population in excess of 71,000. The properties include 3 electric power stations with a generating capacity of 6,050 k.w. (including a new 3,000 k.w. modern steam turbine being installed at Hopkinsville, Ky.), 92 miles of high tension transmission lines, 4 gas plants with a daily capacity of 550,000 cu. ft. and 57 miles of gas mains. The properties also supply electricity to connected distributing companies over 47 miles of transmission lines owned by such companies.

Of the Ohio properties, one property, the Greenville Gas Light Company, is leased to the Jantha Light and Fuel Company for a long term of years on a satisfactory basis. The Van Wert Gas Light Company, supplying gas to 1,747 consumers in the City of Van Wert, Ohio, having a population of 8,100, owns an oil gas plant with a daily capacity of 600,000 cu. ft. and 22 miles of distribution mains.

EARNINGS

The income account for the calendar year 1922 shows a very substantial improvement in gross and net earnings over the preceding calendar years 1921 and 1920 as is indicated by the Consolidated Income Statement for the past three calendar years.

	1922	1921	1920
Gross Earnings:			
Electric	\$1,832,129.60	\$ 898,154.32	\$ 778,661.13
Gas	611,756.08	600,150.10	514,533.85
Miscellaneous	335,787.87	30,101.85	21,378.53
Total	\$2,779,673.55	\$1,528,406.27	\$1,314,573.51
Operating Expenses, Maintenance and Taxes.....	1,894,339.86	1,077,657.29	968,925.27
Net Earnings.....	885,333.69	450,748.98	345,648.24
Other Income.....	76,745.60	31,598.98	31,981.68
Gross Income.....	962,079.29	482,347.96	377,629.92
Less Fixed Charges and other deductions of Subsidiary and Affiliated Companies.....	308,214.51	81,905.87	68,642.01
Net Income available for Associated Company.....	653,864.78	400,442.09	308,987.91
Fixed Charges and other deductions of Associated Company:			
Interest on First Mortgage Bond and Stock Collateral Trust Five Per Cent. Gold Bonds....	64,776.39	65,382.99	60,920.86
Interest on Collateral Trust Six Per Cent. Debenture Bonds.....	8,461.33	8,700.00	8,700.00
Interest on Six Per Cent. Sinking Fund Gold Bonds	62,232.73	57,186.09	55,984.50
Interest on Floating Debt.....	16,153.13	4,909.72	15,293.04
Amortization of Debt Discount and Expense....	12,020.88	12,165.36	9,727.80
Total Fixed Charges and other deductions of Associated Company.....	163,644.46	148,344.16	150,626.20
Net Income available for Renewal and Replacement Reserves, Dividends and Surplus.....	490,220.32	252,097.93	158,361.71
Less: Reserved for Renewals and Replacements...	125,046.06	56,373.95	37,008.21
Income available for Dividends.....	365,174.26	195,723.98	121,353.50
Dividends on Preferred Stock.....	62,979.47	.....	.....

OPERATING CONDITIONS

It will be noted from the foregoing that the increase in electric sales in 1922 was more than the total electric sales during the calendar year 1921. Also that the revenue from electric sales for 1922 was larger than the combined revenues from electric sales for the calendar years 1920 and 1921.

The work which had been undertaken in the latter part of 1921 of connecting up by transmission lines the various operating companies was continued and in some cases was brought to a conclusion during 1922. The work of centering the operation and accounting of the various New York State properties under a single operating organization and a similar accounting organization was progressed considerably with the result that the general operating and accounting supervision over the various plants and local offices is now exercised from the Ithaca office.

Efforts have been directed during the past year to connecting the hydro-electric power plants by transmission lines so as to get the maximum use of hydro-electric generated current with a consequent reduction of the necessity for steam generated operation.

CONSTRUCTION

The plant and property account, as per the Consolidated Balance Sheet, increased \$6,099,494.73 over the corresponding amount at the beginning of the year. The increase represents additional properties acquired and additions, betterments and extensions and a few unimportant bookkeeping adjustments. In addition thereto there was reserved or expended out of earnings during the year for maintenance and repairs and for the renewal and replacement of existing property, a total amount of \$376,152.10.

In the New York State group of properties the high tension transmission line connecting the Oneonta, Norwich and Sidney plants was completed and the line put in operation. During the latter part of the year the construction of a transmission line between Oneonta and Colliersville was begun which line was completed and put in operation during the early part of the year 1923.

At the Ithaca power plant the installation of a General Electric 3,000 k.w. 15 stage Curtiss condensing turbine with a 500 h.p. Connelly 3 pass water tube boiler equipped with Foster super-heater and a 10 C Spiroflo surface condenser as well as necessary auxiliary apparatus which was begun in 1922 was completed during the first quarter of 1923. Contracts were also made for the installation of a 3,000 k.w. steam turbine in the Hopkinsville plant of the Kentucky-Tennessee properties which work will be completed during the current year.

FINANCING

Under the modern open-end serial mortgage of the New York State Gas and Electric Corporation made to The Equitable Trust Company of New York as Trustee and

dated July 1, 1921 there were issued during the calendar year 1922 a total of \$2,645,000 face amount of bonds of which \$1,350,000 face amount were sold to and distributed by bankers in New York and Philadelphia. Small amounts of other bonds sufficient to finance the needs of other of the subsidiary and affiliated companies were offered to the public and quickly absorbed.

The work of placing the various subsidiary companies in position to finance themselves was progressed substantially during the year. Generally speaking this work consists of placing a modern open-end serial mortgage on each property, such mortgage being designed to provide for the refunding of prior obligations and as a means of obtaining funds for future additions and betterments.

In order to provide for junior financing of the subsidiary companies, the Directors decided on the policy of distributing the preferred stock of this company as far as possible among the consumers and the employees of the several subsidiaries. Preliminary to carrying out this policy, preferred stock issues of subsidiaries were provided for several of the operating companies and were offered for sale among the employees and consumers in the respective territories. The result was gratifying and up to the close of the year 1922 upwards of \$450,000 of such preferred stock was so distributed. The plan to sell this company's preferred stock was then put into effect, and since the beginning of the year substantial amounts have been sold in the respective territories and the situation gives promise of carrying out the aims of the Directors to make all employees and consumers stockholders in this company.

The response to the company's offer to issue two shares of its new no par value cumulative preferred stock with dividends cumulative at the rate of \$3.50 per share per annum from January 1, 1923 in exchange for each share of the \$100 per share 6% preferred stock outstanding, was gratifying and practically all of such stock was exchanged during the current year. A substantial block of such stock was sold during the year under favorable terms to banking houses for distribution to the general investing public.

During the year the company undertook to acquire the outstanding First Mortgage Bond and Stock Collateral Trust 5% gold bonds of which there were \$1,293,000 face amount outstanding and under such offer during the current year 1923 to the rendering of this report, there were acquired \$1,070,000 face amount leaving only \$223,000 face amount outstanding.

No cash dividends were paid on the common stock during the year 1922, but all earnings available for common stock were reinvested in the property and from time to time amounts were transferred from Corporate Surplus to Stated Capital for Common Stock,

this transfer insuring the leaving of such surplus earnings permanently in the company. The Stated Capital for Common Stock at July 31, 1923 was substantially in excess of the Stated Capital for the Preferred Stock outstanding, and similarly was in excess of the total face amount of outstanding funded debt of the company.

SECURITY RATINGS

The preferred stock of the Associated Company is rated as a class Baa investment in Moody's Rating Book of Public Utility Investments—July, 1923 edition, and as a B* investment in Poor's Rating Service—1923 edition. The first mortgage bonds of the principal subsidiary, the New York State Gas and Electric Corporation, are rated as a class A investment by both of these services—July, 1923 editions.

FINANCIAL CONDITION

A detailed consolidated balance sheet of the company and its affiliated companies showing the financial condition at December 31, 1922 is appended hereto.

IN MEMORIAM

The Board records with deep regret the death on January 11, 1923 of one of its members, the Honorable E. H. Bostwick at Ithaca, New York, who also acted for many years as counsel to the company. By his death the company loses a wise and able counselor, held in deep esteem by the personnel of the organization, not alone for his official position, but equally for his sterling character and scholarly attainments.

The books and accounts of your company have been audited by Messrs. Haskins and Sells, Certified Public Accountants whose certificate forms part of this report.

Respectfully submitted,

JOHN I. MANGE,
President.

BY ORDER OF THE BOARD OF DIRECTORS.

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

Consolidated Balance Sheet

December 31, 1922

ASSETS

PLANT AND PROPERTIES.....	\$11,790,165.20
INVESTMENTS	8,783.18

CURRENT ASSETS:

CASH:

In Banks.....	570,156.85	
In Hands of Trustees for Sinking Funds...	<u>21,556.29</u>	591,713.14
Marketable Securities.....		190,677.19
Notes Receivable.....		82,610.25
Accounts Receivable.....		395,319.37
Interest Receivable.....		375.05

SUBSCRIPTIONS:

Sinking Fund 6's	161.00	
Preferred Stock of Subsidiaries.....	70,157.00	
Common Stock of Subsidiaries.....	<u>40,000.00</u>	110,318.00
Materials and Supplies.....		<u>327,617.99</u>
		1,698,630.99

MISCELLANEOUS TEMPORARY DEBITS:

Unamortized Debt Discount and Expense....	1,385,176.29	
Unamortized Replacement Suspense.....	9,500.00	
Prepaid Taxes.....	14,812.62	
Unexpired Insurance Premiums.....	12,721.68	
Misc. Prepayments and Items in Suspense....	<u>42,903.89</u>	1,465,114.48
TOTAL ASSETS		\$14,962,693.85

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

Consolidated Balance Sheet

December 31, 1922

LIABILITIES

CAPITAL STOCK:

Preferred (No Par Value):			
Authorized	100,000 shares		
Issued	26,686 shares	\$1,334,300.00	
Subscribed for but unissued	2,405 "	120,250.00	
Less: Intercorporately held.	4,570 "	228,500.00	
Outstanding	24,521 "		\$1,226,050.00
Common (No Par Value):			
Authorized	110,000 shares		
Issued and Outstanding...	60,000 shares	1,800,000.00	
Preferred of Subsidiary and Affiliated Companies		455,500.00	
Common of Subsidiary and Affiliated Companies		137,400.00	\$3,618,950.00

FUNDED DEBT:

First Mortgage Bond and Stock Collateral Trust			
Five Per Cent. Gold Bonds due 1939:			
Authorized	5,000,000.00		
Issued	1,612,500.00		
Retired and cancelled.....	319,500.00		
Outstanding			1,293,000.00
Six Per Cent. Sinking Fund Gold Bonds, due 1941:			
Authorized	2,000,000.00		
Issued	1,111,200.00		
Retired and Cancelled.....	39,000.00		
In Treasury.....	7,300.00		
Outstanding			1,064,900.00
Collateral Trust Six Per Cent. Debenture Gold Bonds due 1949:			
Authorized and Issued.....	1,500,000.00		
Deposited as part Security for Six Per Cent. Sinking Fund Gold Bonds.....	1,359,000.00		141,000.00
Funded Debt of Subsidiary and Affiliated Companies		4,203,700.00	6,702,600.00

NOTES PAYABLE SECURED BY MARKETABLE SECURITIES.....		264,000.00
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CURRENT LIABILITIES:

Notes Payable—Unsecured.....	333,208.25	
Accounts Payable—Current	422,664.79	
Matured Interest Unpaid.....	195.00	
Accrued Interest.....	63,069.43	
Accrued Insurance.....	9,015.72	
Dividends Payable.....	65,692.65	
Other Unadjusted Credits.....	11,161.31	905,007.15

CONSUMERS AND SPECIAL DEPOSITS.....		109,518.06
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RESERVES:

Accrued Amortization of Capital.....	831,986.34	
Reserve for Tax Liability.....	97,435.70	
Reserve for Maintenance and Extraordinary Repairs	101,616.42	
Reserve for Bad Debts.....	13,233.63	
Other Reserves.....	5,662.60	1,049,934.69

SURPLUS:

Appropriated	577,371.45*	
Free	346,185.04	
Proportion of Surplus of Subsidiary and Affiliated Companies applicable to capital stocks of those companies not owned by Associated Gas and Electric Company.....	17,108.71	
Proportion of Surplus applicable to securities of Associated Gas and Electric Company.....	375,348.26	
Excess of Par or Stated Value of Securities of Subsidiary and Affiliated Companies over the value at which they are carried on the books of the Associated Gas and Electric Company ..	996,670.49	2,312,683.95

TOTAL LIABILITIES		\$14,962,693.85
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*Subsequently transferred to Stated Capital for Common Stock.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

37 West 39th Street
New York, N. Y.

ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES

CERTIFICATE

We have audited the books and accounts of the Associated Gas and Electric Company for the year ended December 31, 1922; have reviewed the reports covering audits of its subsidiary companies made by The J. G. White Management Corporation for the same period; and have prepared therefrom the accompanying Consolidated Balance Sheet at December 31, 1922, and Statements of Consolidated Income and Profit and Loss for the year ended that date.

HASKINS & SELLS.

New York, May 25, 1923.

SECURITIES PLEDGED WITH PHILADELPHIA TRUST COMPANY, TRUSTEE, UNDER THE FIRST MORTGAGE BOND AND STOCK COLLATERAL TRUST FIVE PER CENT. GOLD BONDS \$1,293,000.¹ OUTSTANDING, AND ON WHICH THE COLLATERAL TRUST SIX PER CENT. DEBENTURE BONDS, \$141,000.² OUTSTANDING ARE A SECOND LIEN.

BONDS

NEW YORK STATE GAS AND ELECTRIC CORPORATION		
First Mortgage Five Per Cent. Gold Bonds, due 1947.....	\$1,295,000.00	
VAN WERT GAS LIGHT COMPANY		
Refunding Mortgage Five Per Cent. Sinking Fund Gold Bonds, due 1949	<u>108,000.00</u>	\$1,403,000.00

STOCKS

NEW YORK STATE GAS AND ELECTRIC CORPORATION		
Common	\$1,162,100.00	
VAN WERT GAS LIGHT COMPANY.....	<u>100,000.00</u>	1,262,100.00

NOTES

VAN WERT GAS LIGHT COMPANY.....	3,947.93	
	\$2,669,047.93	

SECURITIES PLEDGED WITH FIDELITY TRUST COMPANY, PHILADELPHIA, TRUSTEE, AS COLLATERAL TO THE COLLATERAL TRUST SIX PER CENT. SINKING FUND GOLD BONDS, \$1,064,900³ OUTSTANDING.

BONDS

ASSOCIATED GAS AND ELECTRIC COMPANY		
Collateral Trust Six Per Cent. Debenture Bonds.....		\$1,359,000.00 ⁴

STOCKS

KENTUCKY PUBLIC SERVICE COMPANY ⁵		
Six Per Cent. Preferred.....	805,200.00	
Common	<u>584,000.00</u>	1,389,200.00
		\$2,748,200.00

1. Reduced to \$ 223,000 at July 31, 1923.
2. Reduced to \$ 71,000 at July 31, 1923.
3. Reduced to \$1,022,500 at July 31, 1923.
4. Increased to \$1,417,000 at July 31, 1923.
5. This Company has been succeeded by the Kentucky-Tennessee Light and Power Company and its stocks are pledged for above bonds as follows:—

Six Per Cent. Preferred	\$770,800.00
Common	798,400.00

ASSOCIATED GAS AND ELECTRIC COMPANY
GENERAL STATISTICS OF OPERATING
COMPANIES

ELECTRIC DEPARTMENT	1922	% Increase
Gross Revenue from Sales of Current.....	\$ 1,740,804.66	98.28
Number of Customers.....	27,249	91.39
Gross Revenue per Customer.....	\$ 63.88	3.53
K.W.H. sold and used by Company.....	25,361,662	100.92
K.W.H. sold per Customer (Light and Power).....	931	13.95
GAS DEPARTMENT		
Gross Revenue from Sales of Gas.....	\$ 594,084.97	2.10
Number of Customers.....	15,778	5.66
Miles of Mains (3" Equivalent).....	228	32.6
Gross Revenue per Customer.....	\$ 37.65	3.34*
Gross Revenue per Mile of Main.....	\$ 2,603.00	23.08*
Gas Sold (cu. ft.).....	315,369,200	2.62*
Gas Sold per Mile of Main (cu. ft.).....	1,381,864	22.67*
Gas Sold per Customer (cu. ft.).....	19,990	2.86*

* Decrease

ASSOCIATED GAS AND ELECTRIC COMPANY
and Subsidiary and Affiliated Companies

Consolidated Income Statement for Twelve Months ended
July 31, 1923

OPERATING REVENUES.....		\$2,928,002.90
OPERATING EXPENSES, MAINTENANCE AND TAXES.....		<u>1,921,033.04</u>
NET EARNINGS.....		1,006,969.86
OTHER INCOME.....		<u>11,589.22</u>
GROSS INCOME.....		1,018,559.08
DEDUCTIONS:		
Fixed charges of Subsidiary and Affiliated Companies.....		<u>376,332.85</u>
NET INCOME.....		642,226.23
FIXED CHARGES ASSOCIATED COMPANY		
Interest on Bonds.....	103,716.65	
Interest on Floating Debt.....	42,154.13	
Amortization of Debt Discount and Expense.....	<u>10,127.37</u>	<u>155,998.15</u>
NET INCOME AVAILABLE FOR RENEWAL AND REPLACEMENT RESERVES, DIVIDENDS AND SURPLUS.....		486,228.08
Less: Reserve for Renewals and Replacements.....		<u>146,723.82</u>
SURPLUS AVAILABLE FOR DIVIDENDS.....		\$ 339,504.26

ASSOCIATED GAS AND ELECTRIC COMPANY

and Subsidiary and Affiliated Companies

Consolidated Balance Sheet at July 31, 1923

ASSETS

PLANT AND PROPERTIES.....		\$12,956,617.43
INVESTMENTS.....		54,904.50
SYNDICATE PARTICIPATION.....		393,713.81
CURRENT ASSETS:		
Cash.....	419,670.14	
Marketable Securities.....	245,146.99	
Materials and Supplies.....	357,315.89	
Notes Receivable.....	92,023.02	
Accounts Receivable.....	380,730.38	1,494,886.42
MISC. TEMPORARY DEBITS:		
Prepayments.....	27,308.32	
Unamortized Debt Discount and Expense.....	1,268,188.30	
Suspense.....	58,925.36	1,354,421.98
TOTAL ASSETS.....		16,254,544.14

LIABILITIES

CAPITAL STOCK:			
Common (60,000 shares).....	\$2,400,000.00		
Preferred (39,359 shares).....	\$1,967,950.00		
Less in treas. or under contract.....	148,600.00	1,819,350.00	
Subscriptions (1901 shares).....		95,050.00	1,914,400.00
Interest Bearing Scrip.....			68,400.00
Non-Interest Bearing Scrip.....			2,971.42
Stocks of Subsidiary and Affiliated Companies held by public:			
Common.....	230,766.67		
Preferred.....	601,300.00	832,066.67	5,217,838.09
FUNDED DEBT:			
First Mortgage Collateral Trust 5's due July 1, 1939.....		223,000.00	
Sinking Fund Gold 6's due Jan. 1, 1941.....		1,022,500.00	
Collateral Trust Debenture 6's due Sept. 1, 1949.....		71,000.00	
Funded Debt of Subsidiary and Affiliated Companies held by public.....		4,384,000.00	5,700,500.00
NOTES PAYABLE SECURED BY MARKETABLE SECURITIES			657,050.00
CURRENT LIABILITIES:			
Notes Payable—Unsecured.....	1,150,724.10		
Accounts Payable.....	457,851.41		
Accrued Interest.....	81,473.65		1,690,049.16
OTHER UNFUNDED DEBT:			
Consumers Deposits.....	107,956.13		
Syndicate Participation.....	370,463.81		478,419.94
RESERVES:			
Accrued Amortization of Capital.....	760,166.91		
Reserve for Tax Liability.....	108,088.62		
Other Optional Reserves.....	261,961.05		1,130,216.58
SURPLUS:			
Capital Surplus.....	179,590.86		
Provision for Preferred Dividends.....	14,773.09		
Proportion of surplus of Subsidiary and Affiliated Companies applicable to capital stock of those companies not owned by Associated Co.....	21,183.89		
Proportion of surplus applicable to securities of Associated Co.....	873,326.69		
Excess of Par or Stated Value of Securities of Subsidiary and Affiliated Companies owned over the par value at which such securities are carried on the books of the Associated Co.....	291,595.84		1,380,470.37
TOTAL LIABILITIES.....			16,254,544.14

ASSOCIATED GAS AND ELECTRIC COMPANY

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OF THE
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TO THE
STOCKHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 1923

ORGANIZATION
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(Incorporated under the Laws of the State of New York)

DECEMBER 31, 1923

Officers

JOHN I. MANGE.....	President
H. C. HOPSON.....	Vice-President and Treasurer
S. J. MAGEE.....	Vice-President and General Manager
HENRY D. FITCH.....	Vice-President
JOHN M. DALY.....	Vice-President
M. C. O'KEEFFE.....	Secretary and Assistant Treasurer
O. E. WASSER.....	Comptroller, Assistant Secretary and Assistant Treasurer

Directors

JOHN M. DALY.....	New York, N. Y.
MURRAY W. DODGE.....	New York, N. Y.
H. C. HOPSON.....	New York, N. Y.
S. J. MAGEE.....	Ithaca, N. Y.
JOHN I. MANGE.....	New York, N. Y.
JOHN NICKERSON, JR.....	New York, N. Y.
deLANCEY RANKINE.....	Niagara Falls, N. Y.
F. A. ROGERS.....	Watertown, N. Y.
W. C. WISHART.....	New York, N. Y.

FINANCIAL OFFICE, 61 Broadway, New York City.

PRINCIPAL OFFICE, Ithaca, New York.

THE J. G. WHITE MANAGEMENT CORPORATION

Operating Managers

43 Exchange Place, New York City

Transfer Agent for Preferred Stock

The Seaboard National Bank, 115 Broadway, New York City.

Registrar for Preferred Stock

Irving Bank-Columbia Trust Company, 60 Broadway, New York City.

Trustee for Bondholders

Secured Gold Bonds

6½% Convertible Series of 1924

The Chase National Bank

of the City of New York, N. Y.

FOURTEENTH ANNUAL REPORT
OF THE
ASSOCIATED GAS AND ELECTRIC COMPANY

TO THE STOCKHOLDERS OF
ASSOCIATED GAS AND ELECTRIC COMPANY:

The Board of Directors herewith submits its fourteenth annual report for the year ended December 31, 1923, with statements showing the income account and financial condition of the company.

TERRITORY

During the year 1923 the company continued its policy of acquiring electric and gas properties operating in the territory adjacent to that served by its subsidiaries. In New York additional properties were acquired and with the consent of the Public Service Commission of the State of New York, the principal New York property acquired ten adjacent electric operating properties. Negotiations were begun for the acquisition of new properties in the Kentucky-Tennessee group and on November 1, 1923, all the properties in this group were placed in one corporate entity through the consolidation of the Kentucky Public Service Company and the Kentucky-Tennessee Light and Power Company. During the year 1923 interests affiliated with the company acquired control of the Cape and Vineyard Electric Company serving electricity without competition on the major portion of Cape Cod and on Martha's Vineyard.

OPERATING PROPERTIES

At the close of the year 1923 the New York properties rendered electric and/or gas service to more than 35,500 consumers in 160 communities located principally in the south central section of the state, the population in the territory served being in excess of 123,000. The New York operating properties include 14 steam and 10 hydro-electric power stations with a generating capacity of more than 17,000 K. W. and 379 miles of electric high tension transmission lines; also 7 gas plants with a daily capacity of 2,795,000 cubic feet and 104 miles of mains.

The Kentucky-Tennessee properties rendered electric and/or gas service to over 13,000 consumers in 26 communities in agricultural districts in Kentucky and Tennessee having a population of more than 72,000. The properties include three electric power stations with a generating capacity of 6,050 K. W. and 92 miles of high tension transmission lines; 4 gas plants with a daily capacity of 550,000 cubic feet and 57 miles of gas mains. The Kentucky-Tennessee properties also supply electricity to connected distributing companies over 47 miles of transmission lines owned by such companies.

The Massachusetts properties distribute electricity to more than 5,800 consumers on Cape Cod and Martha's Vineyard serving a population estimated at 40,000. The properties include a steam generating plant of 1,050 K. W. capacity located on Martha's Vineyard, 64 miles of high tension transmission lines and 209 miles of distribution lines. Electricity for Cape Cod generated in the plants of the New Bedford Gas and Edison Light Company is purchased under a satisfactory contract.

Of the Ohio properties, one, the Greenville Gas Light Company, is leased to the Jantha Light and Fuel Company for a long term of years on a satisfactory basis. The Van Wert Gas Light Company, supplying gas to 1,819 consumers in the city of Van Wert with a total population of 8,100, owns an oil gas plant with a daily capacity of 600,000 cubic feet and 23 miles of mains.

EARNINGS

The income account for the calendar year 1923 shows a very substantial improvement in gross and net earnings over the preceding calendar years 1922 and 1921 as is indicated by the consolidated income statements for the past three calendar years.

Gross Earnings:	1923	1922	1921
Electric	\$2,561,156.15	\$1,832,129.60	\$ 898,154.32
Gas	639,569.54	611,756.08	600,150.10
Miscellaneous	62,631.09	335,787.87	30,101.85
Total	<u>\$3,263,356.78</u>	<u>\$2,779,673.55</u>	<u>\$1,528,406.27</u>
Operating Expenses, Maintenance and Taxes.....	2,154,740.43	1,894,339.86	1,077,657.29
Net Earnings	<u>\$1,108,616.35</u>	<u>\$ 885,333.69</u>	<u>\$ 450,748.98</u>
Other Income	213,710.30	76,745.60	31,598.98
Gross Income	<u>\$1,322,326.65</u>	<u>\$ 962,079.29</u>	<u>\$ 482,347.96</u>
Less Fixed Charges and other deductions of Subsidiary and Affiliated Companies.....	435,665.39	308,214.51	81,905.87
Net Income available for Associated Company....	<u>\$ 886,661.26</u>	<u>\$ 653,864.78</u>	<u>\$ 400,442.09</u>
Fixed Charges and other deductions of Associated Company:			
Interest on First Mortgage Bond and Stock Collateral Trust Five Per Cent. Gold Bonds....	10,712.35	64,776.39	65,382.99
Interest on Collateral Trust Six Per Cent. Debenture Bonds	5,129.66	8,461.33	8,700.00
Interest on Six Per Cent. Sinking Fund Gold Bonds	62,617.39	62,232.73	57,186.09
Interest on Floating Debt.....	42,698.43	16,153.13	4,909.72
Amortization of Debt Discount and Expense....	8,289.88	12,020.88	12,165.36
Total Fixed Charges and other deductions of Associated Company	<u>\$ 129,447.71</u>	<u>\$ 163,644.46</u>	<u>\$ 148,344.16</u>
Net Income available for Renewal and Replacement Reserves, Dividends and Surplus.....	<u>757,213.55</u>	<u>490,220.32</u>	<u>252,097.93</u>
Less: Reserved for Renewals and Replacements....	<u>179,822.10</u>	<u>125,046.06</u>	<u>56,373.95</u>
Income available for Dividends.....	<u>\$ 577,391.45</u>	<u>\$ 365,174.26</u>	<u>\$ 195,723.98</u>
Dividends on Preferred Stock.....	119,459.09	62,979.47	*

*Dividends began January 1, 1922.

OPERATING CONDITIONS

As in previous years the great increase in revenue was from electric sales which increased very materially over the preceding year. Such increase together with the benefits resulting from the interconnection of various plants by transmission lines and the economies effected through the concentration of the operating and accounting organizations, resulted in a substantial increase in net earnings. The interconnection of steam and hydro plants with transmission lines resulted in a more efficient and economical use of hydro-electric generated current.

CONSTRUCTION

The plant and property account as shown by the consolidated balance sheet increased \$2,311,424.80 over the corresponding amount at the beginning of the year. Such increase represents additional properties acquired and additions, betterments and extensions to the plants and properties then owned. There was reserved or expended out of earnings during the year for maintenance and repairs and for the renewal and replacement of the existing property, a total amount of \$406,758.22. During the early part of the year, there was placed in operation at Ithaca a new General Electric 3,000 K. W. 15 stage Curtiss condensing turbine with a 500 H. P. Connelly 3 pass water tube boiler equipped with Foster super-heater and a 10 C Spiroflo surface condenser as well as necessary auxiliary apparatus. In the Kentucky-Tennessee group the new 3,000 K. W. steam turbine in the Hopkinsville plant was completed and placed in service.

FINANCIAL

The policy of selling preferred stock of the Company to the consumers and employees to provide in part the junior financing of the operating properties, was continued during the year and under this policy there was so distributed 24,586 shares, having a stated capital value of \$1,229,300. The cost of distributing such stock amounted only to about 3% of the stated value of the stock sold.

In the early part of the year 1924 the directors and officers undertook to provide for the future senior financing of the Company through a modern open-end serial bond indenture. The Trustee is the Chase National Bank of the City of New York. The indenture provides for the issue thereunder of secured gold bonds, the rate of interest, date of maturity, etc., to be fixed from time to time by the Board of Directors, to pay in part the cost of public utility securities and to provide working capital, with proper limitations as to ratio of earnings to interest and margin from securities junior to the bonds.

In July, 1924, the initial issue of bonds was sold through a syndicate of New York and Chicago bankers out of the proceeds of which there has been or will be redeemed during the current year, the following bond issues, which were outstanding at December 31, 1923:

First Mortgage bond and stock collateral trust 5% gold bonds—

Philadelphia Trust Company, Philadelphia, Pa., Trustee.

Collateral trust 6% debenture bonds—

Philadelphia Trust Company, Philadelphia, Pa., Trustee.

Collateral trust 6% sinking fund gold bonds—

Fidelity Trust Company, Philadelphia, Pa., Trustee.

FINANCIAL CONDITION

A detailed consolidated balance sheet of the Company and its affiliated companies, showing the financial condition at December 31, 1923, is annexed hereto.

As heretofore, the books of account of your company have been audited by Messrs. Haskins & Sells, Certified Public Accountants, whose certificate forms part of this report.

Respectfully submitted,

JOHN I. MANGE,

President.

BY ORDER OF THE BOARD OF DIRECTORS.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

37 West 39th Street
New York

ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES

CERTIFICATE

We have audited the books and accounts of the Associated Gas and Electric Company for the year ended December 31, 1923; have reviewed the reports covering audits of its subsidiary companies made by The J. G. White Management Corporation for the same period; and have prepared therefrom the accompanying Consolidated Balance Sheet at December 31, 1923, and Statements of Income, Profit and Loss and Appropriated Surplus for the year ended that date.

HASKINS & SELLS.

New York, April 16, 1924.

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

Consolidated Balance Sheet

December 31, 1923

ASSETS

PLANTS AND PROPERTIES.....	\$14,101,590.00
INVESTMENTS	946,983.60

CURRENT ASSETS:

CASH:

In Banks	\$ 344,853.07	
In Hands of Trustee for Sinking Fund....	<u>12,772.10</u>	357,625.17
Notes and Warrants Receivable.....		177,552.32
Accounts Receivable		532,567.75
Dividends Receivable		6,258.57
Accrued Interest Receivable.....		2,295.83
Subscriptions to Preferred Stock.....		232,819.27
Materials and Supplies.....		<u>359,002.72</u>
		1,668,121.63

DEFERRED DEBIT ITEMS:

Unamortized Debt Discount and Expense....	1,360,647.25	
Prepaid Taxes	25,468.23	
Unexpired Insurance Premiums.....	34,797.90	
Miscellaneous Prepayments and Items in Suspendence	<u>107,708.18</u>	1,528,621.56

TOTAL ASSETS	\$18,245,316.79
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ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

Consolidated Balance Sheet

December 31, 1923

LIABILITIES

CAPITAL STOCK:

Preferred (No Par Value):

Authorized	100,000 shares	
Issued	43,226 "	\$2,161,300.00
Subscribed for but unissued.	7,716 "	385,800.00
Scrap		1,434.30
Less: Incorporately held...	1,835 "	91,750.00
		<u>\$2,456,784.30</u>

Common (No Par Value):

Authorized	110,000 shares	
Issued and Outstanding....	60,000 shares	3,000,000.00
Cape and Vineyard Electric Company 6% Stock Scrap		125,100.00
Preferred of Subsidiary and Affiliated Com- panies		586,493.34
Common of Subsidiary and Affiliated Companies		<u>32,100.00</u>
		<u>\$6,200,477.64</u>

FUNDED DEBT:

First Mortgage Bond and Stock Collateral Trust

5% Gold Bonds due 1939:		
Authorized	5,000,000.00	
Issued	1,612,500.00	
Retired and Cancelled.....	<u>1,453,000.00</u>	
Outstanding		159,500.00

Six Per Cent. Sinking Fund Gold Bonds due 1941:

Authorized	2,000,000.00	
Issued	<u>1,193,200.00</u>	
Retired and Cancelled.....	91,600.00	
Intercorporately held	113,200.00	
In Treasury	<u>3,500.00</u>	
Outstanding		984,900.00

Collateral Trust 6% Debenture Gold Bonds due 1949:

Authorized and Issued.....	1,500,000.00	
Deposited as part security for 6% Sinking Fund Gold Bonds.....	<u>1,441,000.00</u>	
		59,000.00

Funded Debt of Subsidiary and Affiliated Com- panies

5,126,290.75 6,329,690.75

CURRENT LIABILITIES:

Notes Payable	2,131,675.33	
Accounts Payable	579,076.75	
Dividends Payable	91.35	
Accrued Interest	110,723.98	
Accrued Insurance	9,818.06	
Accrued Taxes	98,347.13	
Other Accrued Liabilities.....	<u>13,433.87</u>	
		2,943,166.47

CONSUMERS AND SPECIAL DEPOSITS.....

188,398.59

RESERVES:

Accrued Amortization of Capital.....	939,826.78	
Other Reserves	<u>61,422.88</u>	
		1,001,249.66

SURPLUS:

Appropriated	1,968,568.88	
Less Excess of Book Value of Securities of Affiliated Companies over Par or Stated Value	<u>1,257,773.35</u>	
		710,795.53
Proportion of Surplus or Deficit of Subsidiary Companies applicable to the capital stocks of those companies not owned by Associated Gas & Electric Co.....		13.78*
Proportion of Surplus applicable to securities of Associated Gas & Electric Company.....	<u>871,551.93</u>	
		1,582,333.68

TOTAL LIABILITIES \$18,245,316.79

* Deficit.

ASSOCIATED GAS AND ELECTRIC COMPANY

General Statistics of Operating Companies

	1923	% Increase
ELECTRIC DEPARTMENT:		
Gross Revenue from Sales of Current.....	\$2,439,790.17	41.00
Number of Customers	37,343	37.04
Gross Revenue per Customer.....	\$65.33	2.26
KWH sold and used by Company.....	36,044,823	42.12
KWH sold per Customer (Light and Power).....	933	.21
GAS DEPARTMENT:		
Gross Revenue from Sales of Gas.....	\$620,561.74	4.45
Number of Customers	16,012	1.48
Miles of Mains (3" Equivalent).....	246	7.89
Gross Revenue per Customer.....	\$38.75	2.90
Gross Revenue per Mile of Main.....	\$2,522.60	3.08*
Gas Sold (Cu. Ft.).....	332,369,000	5.39
Gas Sold per Mile of Main (Cu. Ft.).....	1,352,191	2.14*
Gas Sold per Customer (Cu. Ft.).....	20,774	3.92

*Decrease.

ASSOCIATED GAS AND ELECTRIC COMPANY

Consolidated Income Statement for Twelve Months ended July 31, 1924
of Subsidiary and Affiliated Companies

(Including Income from recently acquired properties from date of acquisition only)

OPERATING REVENUES		\$3,828,683.02	
OPERATING EXPENSES, MAINTENANCE AND TAXES.....		2,411,306.42	
NET EARNINGS		1,417,376.60	
OTHER INCOME		16,984.01	
GROSS INCOME		1,434,360.61	
DEDUCTIONS:			
Fixed Charges of Subsidiary and Affiliated Companies.....		567,931.34	
NET INCOME		866,429.27	
FIXED CHARGES OF ASSOCIATED COMPANY			
Interest on Bonds.....	\$76,623.89		
Interest on Floating Debt.....	53,007.92		
Amortization of Debt Discount and Expense.....	8,464.01	138,095.82	
NET INCOME AVAILABLE FOR RENEWAL AND REPLACEMENT RESERVES, DIVIDENDS AND SURPLUS		728,333.45	
Less: Reserve for Renewals and Replacements.....		220,642.56	
SURPLUS AVAILABLE FOR DIVIDENDS.....		507,690.89	

ASSOCIATED GAS AND ELECTRIC COMPANY

and Subsidiary and Affiliated Companies
Consolidated Balance Sheet at July 31, 1924

ASSETS

PLANT AND PROPERTIES.....	\$26,905,644.96
INVESTMENTS	232,873.97

CURRENT ASSETS:

Cash	\$3,771,918.94	
Notes Receivable	165,857.56	
Accounts Receivable	1,086,161.50	
Materials and Supplies.....	792,739.70	5,816,677.70

MISC. TEMPORARY DEBITS:

Prepayments	112,949.95	
Unamortized Debt Discount and Expense.....	2,641,474.23	
Suspense	184,408.76	2,938,832.94

TOTAL ASSETS	35,894,029.57
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LIABILITIES

CAPITAL STOCK:

Common (110,000 shares).....	\$3,300,000.00	
Preferred (69,746 shares).....	\$3,487,300.00	
Less held inter-corporately (3,865 shares)....	193,250.00	
	3,294,050.00	
Subscriptions, 4,026 shares.....	201,300.00	3,495,350.00
Interest Bearing Scrip.....		168,300.00
Stocks of Subsidiary and Affiliated Companies held by public:		
Common	1,171,250.73	
Preferred	483,513.35	1,654,764.08
		8,618,414.08

FUNDED DEBT:

30 Year 6½% Convertible Secured Bonds due 1954	3,500,000.00	
Funded Debt of Subsidiary and Affiliated Companies held by public.....	14,003,612.00	17,503,612.00

NOTES PAYABLE SECURED BY MARKETABLE SECURITIES

CURRENT LIABILITIES:

Notes Payable—Unsecured	662,276.63	
Accounts Payable	910,014.86	
Accrued Interest	226,391.82	1,798,683.31

OTHER UNFUNDED DEBT:

Consumers Deposits	519,138.07	
Ticket Liability	9,116.83	
Obligation Under Option.....	429,240.00	957,494.90

RESERVES:

Accrued Amortization of Capital.....	1,683,161.80	
Other Optional Property Reserves.....	548,771.43	
Reserve for Tax Liability.....	354,880.92	
Other Optional Reserves.....	262,828.03	2,849,642.18

SURPLUS:

Capital Surplus	369,575.15	
Provision for Preferred Dividends.....	21,443.42	
Proportion of surplus of Subsidiary and Affiliated Companies applicable to capital stock of those companies not owned by Associated Gas & Electric Company.....	119,934.05	
Surplus Appropriated for Future Dividends on Preferred Stock..	280,071.35	
Free Surplus	1,879,489.78	
	2,670,513.75	

Less excess of asset value of securities of Subsidiary and Affiliated Companies over amount stated by them as liabilities therefor...	209,764.65	2,460,749.10
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TOTAL LIABILITIES	35,894,029.57
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- 1923 - Income.

12 mos. End. July 31, 1923

2865.11

ASSOCIATED GAS AND ELECTRIC COMPANY
and Subsidiary and Affiliated Companies

Consolidated Income Statement for Twelve Months ended
July 31, 1923

OPERATING REVENUES.....	\$2,928,002.90
OPERATING EXPENSES, MAINTENANCE AND TAXES.....	<u>1,921,033.04</u>
NET EARNINGS.....	1,006,969.86
OTHER INCOME.....	<u>11,589.22</u>
GROSS INCOME.....	1,018,559.08
DEDUCTIONS:	
Fixed charges of Subsidiary and Affiliated Companies.....	<u>376,332.85</u>
NET INCOME.....	642,226.23
FIXED CHARGES ASSOCIATED COMPANY	
Interest on Bonds.....	103,716.65
Interest on Floating Debt.....	42,154.13
Amortization of Debt Discount and Expense.....	<u>10,127.37</u>
	155,998.15
NET INCOME AVAILABLE FOR RENEWAL AND REPLACEMENT RESERVES, DIVIDENDS AND SURPLUS.....	486,228.08
Less: Reserve for Renewals and Replacements.....	<u>146,723.82</u>
SURPLUS AVAILABLE FOR DIVIDENDS.....	\$ 339,504.26

ASSOCIATED GAS AND ELECTRIC COMPANY

and Subsidiary and Affiliated Companies

Consolidated Balance Sheet at July 31, 1923

ASSETS

PLANT AND PROPERTIES.....		\$12,956,617.43
INVESTMENTS		54,904.50
SYNDICATE PARTICIPATION.....		393,713.81
CURRENT ASSETS:		
Cash	419,670.14	
Marketable Securities.....	245,146.99	
Materials and Supplies.....	357,315.89	
Notes Receivable.....	92,023.02	
Accounts Receivable.....	380,730.38	1,494,886.42
MISC. TEMPORARY DEBITS:		
Prepayments	27,308.32	
Unamortized Debt Discount and Expense.....	1,268,188.30	
Suspense	58,925.36	1,354,421.98
TOTAL ASSETS.....		16,254,544.14

LIABILITIES

CAPITAL STOCK:			
Common (60,000 shares).....	\$2,400,000.00		
Preferred (39,359 shares).....	\$1,967,950.00		
Less in treas. or under contract.....	148,600.00	1,819,350.00	
Subscriptions (1901 shares).....	95,050.00	1,914,400.00	
Interest Bearing Scrip.....		68,400.00	
Non-Interest Bearing Scrip.....		2,971.42	
Stocks of Subsidiary and Affiliated Companies held by public:			
Common	230,766.67		
Preferred	601,300.00	832,066.67	5,217,838.09
FUNDED DEBT:			
First Mortgage Collateral Trust 5's due July 1, 1939		223,000.00	
Sinking Fund Gold 6's due Jan. 1, 1941.....		1,022,500.00	
Collateral Trust Debenture 6's due Sept. 1, 1949		71,000.00	
Funded Debt of Subsidiary and Affiliated Companies held by public.....	4,384,000.00	5,700,500.00	
NOTES PAYABLE SECURED BY MARKETABLE SECURITIES		657,050.00	
CURRENT LIABILITIES:			
Notes Payable—Unsecured.....	1,150,724.10		
Accounts Payable.....	457,851.41		
Accrued Interest.....	81,473.65	1,690,049.16	
OTHER UNFUNDED DEBT:			
Consumers Deposits.....	107,956.13		
Syndicate Participation.....	370,463.81	478,419.94	
RESERVES:			
Accrued Amortization of Capital.....	760,166.91		
Reserve for Tax Liability.....	108,088.62		
Other Optional Reserves.....	261,961.05	1,130,216.58	
SURPLUS:			
Capital Surplus.....	179,590.86		
Provision for Preferred Dividends.....	14,773.09		
Proportion of surplus of Subsidiary and Affiliated Companies applicable to capital stock of those companies not owned by Associated Co.....	21,183.89		
Proportion of surplus applicable to securities of Associated Co.....	873,326.69		
Excess of Par or Stated Value of Securities of Subsidiary and Affiliated Companies owned over the par value at which such securities are carried on the books of the Associated Co.....	291,595.84	1,380,470.37	
TOTAL LIABILITIES.....		16,254,544.14	

ASSOCIATED GAS AND ELECTRIC COMPANY

ANNUAL REPORT
OF THE
BOARD OF DIRECTORS
TO THE
STOCKHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 1924

ORGANIZATION OF THE ASSOCIATED GAS AND ELECTRIC COMPANY

(Incorporated under the Laws of the State of New York 1906)

Officers

JOHN I. MANGE.....President
H. C. HOPSON.....Vice-President and Treasurer
S. J. MAGEE.....Vice-President and General Manager
HENRY D. FITCH.....Vice-President
JOHN M. DALY.....Vice-President
M. C. O'KEEFE.....Secretary and Assistant Treasurer
O. E. WASSER.....Comptroller, Assistant Secretary and Assistant Treasurer

Directors

JOHN M. DALY.....New York, N. Y.
H. D. FITCH.....Bowling Green, Ky.
H. C. HOPSON.....New York, N. Y.
S. J. MAGEE.....New York, N. Y.
JOHN I. MANGE.....New York, N. Y.
JOHN NICKERSON, JR.....New York, N. Y.
M. C. O'KEEFE.....New York, N. Y.
de LANCEY RANKINE.....Niagara Falls, N. Y.
W. C. WISHART.....New York, N. Y.

FINANCIAL OFFICE, 61 Broadway, New York City

PRINCIPAL OFFICE, Ithaca, New York

THE J. G. WHITE MANAGEMENT CORPORATION

Operating Managers

33 Liberty Street

New York City

Transfer Agents for Capital Stocks

Class A and all Preferred Stocks	The Seaboard National Bank of the City of New York, 115 Broadway, New York City
Common Stock	F. E. Taylor c/o H. C. Hopson & Co., Inc., 61 Broadway New York City

Registrar for Capital Stocks

Class A Stock	National Bank of Commerce in New York
Original Series Preferred Stock	Irving Bank-Columbia Trust Company
\$6 Dividend Series Preferred Stock	The Chase National Bank of the City of New York
\$6.50 Dividend Series Preferred Stock	Chemical National Bank
\$7 Dividend Series Preferred Stock	The Bank of America
Common Stock	C. A. Dougherty c/o J. G. White Management Corporation

Trustee and Registrar for Bonds

Secured Gold Bonds	The Chase National Bank of the City of New York
Debenture Bonds	National Bank of Commerce in New York
Option Warrants	National Bank of Commerce in New York

ANNUAL REPORT
OF THE
ASSOCIATED GAS AND ELECTRIC COMPANY

TO THE STOCKHOLDERS OF

ASSOCIATED GAS AND ELECTRIC COMPANY:

The Board of Directors herewith submits its annual report for the year ended December 31, 1924, with statements showing the income account and financial condition of the Company.

TERRITORY

The Company has during 1924, either directly or through interests affiliated with it, materially extended the territory in which service is rendered by its operating subsidiaries. The most important territorial unit so added is Staten Island, one of the boroughs of New York City, which has every prospect of more rapid development in the immediate future than any other part of the metropolitan district. Other important additions include a group of adjacent plants and distribution systems in what is known as the Harlem Valley, east of the Hudson River, the connecting systems being mostly situated along the line of the Harlem division of the New York Central Railroad for a distance of over one hundred miles from southern Rensselaer county to northern Westchester county; a group of properties in the neighborhood of Buffalo, New York; twelve plants in northern Tennessee which were acquired from municipalities that previously owned and operated them; the Portsmouth Power Company which renders service in the city of Portsmouth, New Hampshire, and in adjacent territory in southeastern New Hampshire and Maine; and the Middlesex-Hollis properties in north-eastern Massachusetts and southern New Hampshire.

OPERATING PROPERTIES

At the close of the year 1924 the New York properties rendered electric, gas, and/or water service to more than 103,524 consumers in 293 communities throughout the State, the population served being in excess of 427,000. The New York operating properties include 15 steam and 7 hydro-electric power stations with generating capacity of more than 47,800 K. W. and 774 miles of electric high tension transmission lines; also 8 gas plants with a daily capacity of 3,230,000 cubic feet and 158 miles of mains.

The Kentucky-Tennessee properties rendered electric, gas, and/or water service to over 17,650 consumers in 42 communities in agricultural districts in Kentucky and Tennessee having a population of more than 100,000. The properties include 5 electric power stations with a generating capacity of 7,735 K. W. and 214 miles of high tension transmission lines; 4 gas plants with a daily capacity of 605,000 cubic feet and 61 miles of gas mains. The Kentucky-Tennessee properties also supply electricity to connected distributing companies over 47 miles of transmission lines owned by such companies.

The Southeastern Massachusetts properties distribute electricity to more than 6,972 consumers in 73 communities on Cape Cod and Martha's Vineyard serving a population estimated at 23,000. The properties include a steam generating plant of 850 K. W. capacity located on Martha's Vineyard and 72 miles of high tension transmission lines. Electric energy distributed on the Cape Cod mainland is all purchased from a neighboring company under a mutually advantageous contract.

The New Hampshire properties distribute electricity to more than 7,429 consumers in 13 communities in Southeastern New Hampshire, Northern Massachusetts and Maine, serving a population estimated at 37,000. The properties include a steam generating plant of 15,500 K. W. capacity located in Portsmouth at tidewater, and 109 miles of high tension transmission lines. The Company sells a large amount of its output to other electric distributing companies under favorable contracts.

The Van Wert Gas Light Company in Ohio supplies gas to 1,773 consumers in the City of Van Wert with a total population of 8,100, owns an oil gas plant with a daily capacity of 600,000 cubic feet and 23 miles of gas mains. The Associated Gas and Electric Company controls one other Ohio property, that of the Greenville Gas Light Company, which is leased on satisfactory terms to the Jantha Light and Fuel Company.

EARNINGS

The income account for the calendar year 1924 shows a marked improvement in gross and net earnings over the preceding years 1923 and 1922, as is indicated by the Comparative Consolidated Condensed Income Statements for the past three years. The 1924 income account, however, understates the full earning power of the property for two reasons. In the first place it includes earnings and expenses of properties acquired during the year only from the date of acquisition to the end of the year. In the second place it includes the greater part of the full interest and dividends upon securities the proceeds of which have been expended in new construction mostly still unproductive at the close of the year.

	Calendar Years		
	1924	1923	1922
Gross Earnings:			
Electric	\$4,496,650.05	\$2,561,156.15	\$1,832,129.60
Gas	668,857.95	639,569.54	611,756.08
Miscellaneous	147,109.71	62,631.09	335,787.87
Total	\$5,312,617.71	\$3,263,356.78	\$2,779,673.55
Operating Expenses, Maintenance and Taxes.....	3,786,620.66	2,154,740.43	1,894,339.86
Net Earnings	\$1,525,997.05	\$1,108,616.35	\$ 885,333.69
Other Income	345,955.33	213,710.30	76,745.60
Gross Income	\$1,871,952.38	\$1,322,326.65	\$ 962,079.29
Less Fixed Charges and other deductions of Subsidiary and Affiliated Companies.....	866,195.22	435,665.39	308,214.51
Net Income for Associated Company.....	\$1,005,757.16	\$ 886,661.26	\$ 653,864.78
Fixed Charges and other deductions of Associated Company:			
* Interest on First Mortgage Bond and Stock Collateral Trust 5% Gold Bonds.....	4,318.48	10,712.35	64,776.39
* Interest on Collateral Trust 6% Debenture Bonds	1,582.15	5,129.66	8,461.33
* Interest on 6% Sinking Fund Bonds.....	36,772.00	62,617.39	62,232.73
Interest on 6½% Secured Gold Bonds due 1954	105,895.83	.....	.....
Interest on Floating Debt.....	79,486.60	42,698.43	16,153.13
Amortization of Debt Discount and Expense....	17,837.10	8,289.88	12,020.88
Total Fixed Charges and other deductions of Associated Company	\$ 245,892.16	\$ 129,447.71	\$ 163,644.46
Net Income available for Renewals and Replacement Reserves, Dividends and Surplus.....	\$ 759,865.00	\$ 757,213.55	\$ 490,220.32
Less: Reserved for Renewals and Replacements....	289,414.19	179,822.10	125,046.06
Income available for Dividends.....	\$ 470,450.81	\$ 577,391.45	\$ 365,174.26
Dividends on Preferred Stock.....	284,371.75	119,459.09	62,979.47

(*) These bonds were retired during 1924 from the proceeds of the sale of the 6½% Secured Gold Bonds.

OPERATING CONDITIONS

The large increase in earnings over those of the previous year was, of course, due in part to the additional earnings accruing from the properties acquired during the year, and, in part, to larger revenues and operating economies for the properties previously owned. A very favorable feature of the Company's operations is that 88% of its net earnings comes from electric light and power. The remainder is divided equally between gas and miscellaneous services. Interconnection of the various plants and more concentrated administration has resulted in many economies and still more are planned or in progress.

CONSTRUCTION

The plant and property account (Fixed Capital) shows on the Consolidated Balance Sheet hereto appended a balance at the close of the year of \$52,885,211.29. During the year the book values of properties were adjusted to bring them into agreement with present

values based on appraisals made by competent engineers. The largest new construction projects undertaken during the year were the increase in the generating capacity of the Staten Island Edison Corporation through the installation of a new 15,000 K. W. generator and auxiliary boiler and transformer equipment required to meet the power demand created by the electrification of the Staten Island Rapid Transit Railway, which is controlled by the Baltimore and Ohio Railroad Company, and the construction of high tension transmission lines in the New York State, Massachusetts, and Kentucky and Tennessee territories. The reserve against losses from anticipated future retirements amounted at the close of the year to \$5,302,-581.32 or almost exactly 10% of the plant and property account.

FINANCIAL

During 1924 most of the junior financing for the operating properties was met through the sale of preferred stock of the Associated Gas and Electric Company, chiefly to consumers and employees. During the year, 24,616 shares of this stock were sold, representing an addition to stated capital of \$1,230,800. The amount of stock so sold was approximately the same as during 1923, and so, likewise, was the cost of distribution, that is, about 3% of the total addition to stated capital.

Reference was made in last year's report to the new senior financing through which all the previous bond issues of the Company were retired. At the end of 1924 the Company's funded debt consisted of \$4,000,000 face amount of six and one-half per cent secured gold bonds due 1954. It is anticipated that under the new indenture securing such bonds, the future needs for senior financing can be advantageously met.

While the total current liabilities amount to \$14,741,574.89, substantially all of the "Notes payable" and "Purchase contract obligations", which two items make up nearly twelve millions of the fourteen millions of current liabilities, constituted temporary obligations incurred in connection with the acquisition of new properties that since the terminal date of this report have been funded through the issue of capital securities.

FINANCIAL CONDITION

A condensed consolidated balance sheet of the Company and its affiliated companies showing the financial condition at December 31, 1924, is annexed hereto. Such Balance Sheet, however, does not give effect to the contract signed December 31, 1924, pursuant to which 200,000 shares of Class A Stock were sold to the public on January 8, 1925, at \$26 per share, nor to a large amount of preferred stock sold early in 1925 to liquidate current indebtedness.

As heretofore, the books of account of your company have been audited by Messrs. Haskins & Sells, Certified Public Accountants, whose certificate forms part of this report.

Respectfully submitted,

J. I. MANGE,
President.

BY ORDER OF THE BOARD OF DIRECTORS.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

37 West 39th Street
New York

ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARY AND AFFILIATED COMPANIES

CERTIFICATE

We have audited the books and accounts of the Associated Gas and Electric Company for the year ended December 1, 1924; have received the reports made by the J. G. White Management Corporation covering audits for the same period of your subsidiary and affiliated companies acquired subsequent to January 1, 1924; and have prepared therefrom the accompanying Condensed Consolidated Balance Sheet at December 31, 1924, and Consolidated Statement of Income and Profit and Loss for the year ended that date (including income of companies acquired during the year from approximate dates of acquisition).

HASKINS & SELLS.

New York, May 21, 1925.

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

Condensed Consolidated Balance Sheet

December 31, 1924

ASSETS

FIXED CAPITAL	\$52,885,211.29
INVESTMENTS	1,403,560.91

CURRENT ASSETS:

Cash	\$2,872,714.82
Special Deposits	1,201,290.37
Notes Receivable	164,057.28
Accounts Receivable—Net	1,581,412.83
Due from Subscribers to Capital Stock	478,818.93
Due from Subscribers to Cape and Vineyard Electric Company	
Convertible Extension Loans	45,992.54
Materials and Supplies	1,100,900.86
Accrued Interest and Dividends Receivable	5,780.58
TOTAL CURRENT ASSETS	7,450,968.21

DEFERRED DEBIT ITEMS:

Unamortized Debt Discount and Expense	\$2,732,998.87
Taxes Paid in Advance	57,411.95
Prepaid Interest	14,590.71
Insurance Premiums, Unexpired Portion	36,370.90
Miscellaneous Prepayments, and Items in Suspense	408,983.04
TOTAL DEFERRED DEBIT ITEMS	3,250,355.47
TOTAL ASSETS	<u>\$64,990,095.88</u>

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

Condensed Consolidated Balance Sheet

December 31, 1924

LIABILITIES

CAPITAL STOCK—ASSOCIATED GAS & ELECTRIC COMPANY:		
Preferred (No Par Value, Stated at Liquidation Value of \$50 Share)	\$4,451,650.00	
Preferred—Subscribed Not Issued	699,800.00	
Common (No Par Value)—Stated Value	6,600,000.00	
Cape and Vineyard Electric Company 6% Convertible Extension Loans	230,600.00	
TOTAL CAPITAL STOCK, ASSOCIATED GAS & ELECTRIC Co.		\$11,982,050.00*
CAPITAL STOCK—SUBSIDIARY AND AFFILIATED COMPANIES:		
Preferred	\$2,608,500.00	
Common	1,183,273.00	
TOTAL CAPITAL STOCK, SUBSIDIARY AND AFFILIATED Co.'s		3,791,773.00
FUNDED DEBT:		
Associated Gas and Electric Company	4,000,000.00	
Subsidiary and Affiliated Companies	16,452,900.00	
TOTAL FUNDED DEBT		20,452,900.00
CURRENT LIABILITIES: *		
Notes Payable	6,170,900.79	
Accounts Payable	1,155,177.51	
Consumers' Deposits	627,228.41	
Dividends Payable	46,066.46	
Purchase Contract Obligations	5,799,417.44	
Rent Payable	60,388.70	
Accrued Accounts:		
Interest	429,334.77	
Taxes	419,829.70	
Insurance	10,338.70	
Wages	10,450.58	
Other	12,441.83	
TOTAL CURRENT LIABILITIES		14,741,574.89*
RESERVES:		
Retirements	\$5,302,581.32	
Federal Taxes	20,000.00	
Dividends	167,658.59	
Amortization of Intangible Assets	48,445.72	
Other	899,910.18	
TOTAL RESERVES		6,438,595.81
DEFERRED CREDIT ITEMS:		
Contribution for Extensions	36,106.17	
Unadjusted Credits	62,248.20	
Other	78,556.91	
TOTAL DEFERRED CREDIT ITEMS		176,911.28
SURPLUS:		
At January 1, 1924, or at approximate dates of acquisition of subsidiary and affiliated companies acquired during the year (including corporate surplus and Capital Surplus arising from appraisals of property, etc.)		
Profit and Loss Surplus for the period ended December 31, 1924	13,322,543.33	
TOTAL	18,224,187.67	
Less excess of book value of securities of subsidiary and affiliated companies over Par or Stated Value	10,817,896.77	
REMAINDER—SURPLUS		7,406,290.90
Applicable to stock of Associated Gas and Electric Company	4,791,781.89	
Applicable to stock of subsidiary and affiliated companies held by the public	2,614,509.01	
TOTAL		\$64,990,095.88

*The foregoing Balance Sheet does not give effect to the sale December 31, 1924, of 200,000 Shares of Class A Stock paid for in January, 1925, and proceeds used to pay current liabilities.

ASSOCIATED GAS AND ELECTRIC COMPANY

General Statistics of Operating Companies

The figures for earnings and output below are for the full year of the properties operated at December 31, 1924. The revenue figures therefore differ from those given in the income account as the latter include only earnings of the various properties since the date of their acquisition by or for the Associated Gas and Electric Company.

ELECTRIC DEPARTMENT:

1924

Gross Revenue from Sales of Current.....	\$7,327,655.51
Number of Customers.....	116,007
Miles of Transmission Lines	824
Current Sold and Used by Company (K. W. H.)	144,731,102
Gross Revenue per K. W. H. Sold and Used.....	5.06 Cents

GAS DEPARTMENT:

Gross Revenue from Sale of Gas.....	\$ 838,407.93
Number of Customers.....	19,667
Miles of Main (3" Equivalent).....	317
Gas Sold and Used by Company (Cubic Feet)	515,271,300
Gross Revenue per 1,000 Cubic Feet Sold and Used.....	\$ 1.63

ASSOCIATED GAS AND ELECTRIC COMPANY

Comparative Consolidated Income Statement for Twelve Months ended August 31, 1925, and December 31, 1924, of Company and Subsidiary and Affiliated Companies.

(Including Income from recently acquired properties since dates of Acquisition only)*

	12 Months Aug. 31, 1925	12 Months Dec. 31, 1924	Increase
GROSS EARNINGS:			
Electric	\$ 9,565,853.20	\$4,496,650.05	\$5,069,203.15
Gas	931,141.82	668,857.95	262,283.87
Miscellaneous	2,011,942.67	147,109.71	1,864,832.96
Total	\$12,508,937.69	\$5,312,617.71	\$7,196,319.98
Operating Expenses, Maintenance and Taxes	7,780,496.43	3,786,620.66	3,993,875.77
Net Earnings	\$ 4,728,441.26	\$1,525,997.05	\$3,202,444.21
Other Income	414,552.56	345,955.33	68,597.23
Gross Income	\$ 5,142,993.82	\$1,871,952.38	\$3,271,041.44
DEDUCTIONS:			
Fixed Charges and other deductions of Sub- sidiary and Affiliated Companies	2,221,934.67	866,195.22	1,355,739.45
Net Income for Associated Company	\$ 2,921,059.15	\$1,005,757.16	\$1,915,301.99
Fixed charges and other deductions of Associated Company			
Interest on Bonds	\$ 489,123.55	\$ 148,568.46	\$ 340,555.09
Interest on Floating Debt	226,945.21	79,486.60	147,458.61
Amortization of Debt Discount and Expense ..	40,949.02	17,837.10	23,111.92
Total	\$ 757,017.78	\$ 245,892.16	\$ 511,125.62
Net Income Available for Renewal and Replace- ment Reserves, Dividends and Surplus	\$ 2,164,041.37	\$ 759,865.00	\$1,404,176.37
Less: Reserved for Renewals and Replacements	780,735.00	289,414.19	491,320.81
Surplus Available for Dividends	\$ 1,383,306.37	\$ 470,450.81	\$ 912,855.56
Dividends on Preferred Stocks	574,013.56	284,371.75	289,641.81
BALANCE	\$ 809,292.81	\$ 186,079.06	\$ 623,213.75

*Gross earnings for the full twelve months period of all properties now operated including Penn Public System approximate \$24,500,000 annually.

ASSOCIATED GAS^{and} ELECTRIC SYSTEM

*Annual Report to Stockholders
and Year Book*

1925



ASSOCIATED GAS *and* ELECTRIC SYSTEMS

ASSOCIATED GAS AND ELECTRIC COMPANY

INCORPORATED IN 1906

Officers

J. I. MANGE, <i>President</i>	New York
H. C. HOPSON, <i>Vice-President and Treasurer</i>	New York
S. J. MAGEE, <i>Vice-President and General Manager</i>	New York
H. D. FITCH, <i>Vice-President</i>	Bowling Green, Ky.
J. M. DALY, <i>Vice-President</i>	New York
O. E. WASSER, <i>Comptroller and Assistant Secretary-Treasurer</i>	Ithaca, N. Y.
M. C. O'KEEFE, <i>Secretary and Assistant Treasurer</i>	New York
G. M. MICHEL, <i>Assistant Treasurer</i>	New York

Directors

CHARLES W. BEALL . . . New York Harris, Forbes & Company	HOWARD C. HOPSON . . . New York Vice-President and Treasurer
FREDERICK S. BURROUGHS . . New York Harris, Forbes & Company	SANFORD J. MAGEE . . . New York Vice-President and General Manager
JOHN M. DALY . . . New York Vice-President	JOHN I. MANGE . . . New York President
HENRY D. FITCH . . . Bowling Green, Ky. Vice-President	JOHN NICKERSON . . . New York John Nickerson & Company
FREDERICK T. HEPBURN . . New York H. D. Walbridge Co., Inc.	FARIS R. RUSSELL . . . New York Vice-President National Bank of Commerce in New York

FINANCIAL OFFICE, 61 Broadway, New York City
PRINCIPAL OFFICE . . . Ithaca, New York

THE J. G. WHITE MANAGEMENT CORPORATION

OPERATING MANAGERS

33 LIBERTY STREET, NEW YORK CITY

ASSOCIATED GAS *and* ELECTRIC SYSTEM

Transfer Agents for Capital Stocks

CLASS A AND ALL PREFERRED STOCK EXCEPT ORIGINAL SERIES
The Seaboard National Bank of the City of New York, 115 Broadway, New York City

COMMON STOCK AND ORIGINAL SERIES PREFERRED STOCK
F. E. Taylor and W. L. Freund, Room 2015, 61 Broadway, New York City

•

Registrar for Capital Stocks

CLASS A STOCK
National Bank of Commerce in New York

COMMON STOCK
The J. G. White Management Corporation, 33 Liberty Street, New York

ORIGINAL SERIES PREFERRED STOCK
Irving Bank-Columbia Trust Company

\$6 DIVIDEND SERIES PREFERRED STOCK
The Chase National Bank of the City of New York

\$6.50 DIVIDEND SERIES PREFERRED STOCK
Chemical National Bank

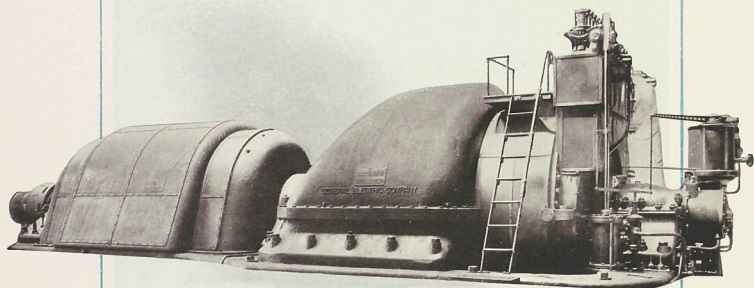
\$7 DIVIDEND SERIES PREFERRED STOCK
The Bank of America

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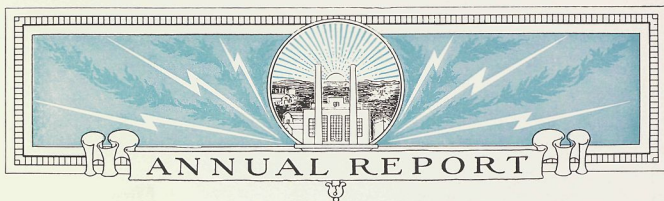
Trustee and Registrar for Bonds

SECURED GOLD BONDS
The Chase National Bank of the City of New York

PERPETUAL CONVERTIBLE DEBENTURE BONDS
National Bank of Commerce in New York



NEW TURBINE
NOW BEING ADDED
TO FRONT ST. STATION
ERIE, PA.



Annual Report of the Board of Directors
OF
ASSOCIATED GAS AND ELECTRIC COMPANY
TO THE STOCKHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 1925

*To the Stockholders of
Associated Gas and Electric Company:*

THE Board of Directors herewith submits this annual report covering transactions of the year ended December 31, 1925, with income account for the year and balance sheet showing the financial condition of the Company at that date. There are also included some comments on developments since the annual report for the previous year was presented and there is appended as a special section of the report a "Year Book" giving a description of the properties in the Associated System with illustrations and map.

EXPANSION

As you are all aware the year 1925 witnessed a notable addition to the properties in the Associated System through the acquisition of the electric light and power properties serving Manila, P. I.; and the group of properties in Western Pennsylvania, known as the Penn Public System. The annual gross earnings from operation of the properties in the Associated System at the end of 1925 were more than two and one-half times the corresponding earnings of the properties so included in 1924. Most of the increase is obviously attributable to the Pennsylvania and Manila acquisitions, although a number of other properties were added to the System. The "Year Book" section of this report is devoted to a description of all the major operating

ASSOCIATED GAS *and* ELECTRIC SYSTEM

units or territorial subdivisions which are now embraced within the Associated System, giving particulars of population served, number of consumers, statistics of plant capacity, etc., as at the end of 1925.

NEW CONSTRUCTION

Since the last annual report, the 15,000 kilowatt addition to the generating capacity of the Staten Island plant which was referred to in that report as under construction has been completed. It has been found necessary to begin the construction of another 15,000 kilowatt generating unit and auxiliary apparatus to take care of the rapidly increasing demand for electric service in Staten Island, N. Y. Another important construction project now under way is a new gas plant at Ithaca, N. Y., with a daily capacity of one and a half million cubic feet, and two new holders, one of 500,000 and the other of 100,000 cubic feet capacity.

The Clarion River Hydro-Electric Plant in the Penn Public System, with an installed capacity of about 24,000 horse power, had just been completed when your Company acquired that group of properties. Since then the dam and power plant on the Youghiogheny River in Pennsylvania has been completed and is now in operation, adding another 24,000 horse power of hydro-electric capacity to the System.

A 110,000 volt transmission line from the Clarion River Hydro-Electric Power Plant to Erie, Pennsylvania, a distance of about 75 miles, which was under construction when your Company acquired the "Penn Public" properties, has been completed, and work on the substations, including one of 7,500 kilowatt capacity at Erie, is progressing rapidly to a successful conclusion. A substation at Piney, Pennsylvania, with a 15,000 kilowatt capacity permitting the advantageous interchange of power with the West Penn Power Company has just been completed. It is interesting to note that this is the last link necessary to complete a chain of electric line interconnections reaching from Boston to Chicago. This event has already been given wide publicity.

INTERCONNECTIONS

Careful studies have been made for the Associated properties to determine the most economically advantageous methods of interconnection and some transmission lines have recently been constructed, in accordance with plans so determined upon, that have already shown results in improved service at lessened cost. A particularly good illustration is the 93 miles of 33,000-volt line linking up a number of previously isolated distribution systems, municipally or privately owned, in Kentucky and Western Tennessee, which has

ASSOCIATED GAS *and* ELECTRIC SYSTEM

made it possible to shut down several comparatively inefficient small generating plants. The 66,000-volt transmission line from Hopkinsville to Bowling Green, Kentucky, has similarly resulted in marked operating economies. The financial effects of these and other lines will be reflected to a much greater extent in the earnings of 1926 and subsequent years than in the figures for 1925 submitted with this report.

RURAL LINE EXTENSIONS

The demand for rural line extensions is increasing greatly and it is the policy of the management to meet this demand wherever it is economically feasible. It is sometimes difficult to decide in particular cases whether the investment cost of an extension will be out of proportion to the value of the service both to the consumer and the Company, but a special schedule of rural rates has been worked out and is in effect for most properties of the Associated System which shares the burden of the investment between the operating company and the rural consumer. This schedule has been commended by officials of a leading public service commission and has been adopted by other companies for use in their own territories. It appears to be meeting satisfactorily the situation created by the remarkably stimulated desire for electricity on the farm.

FINANCING

The notes and obligations outstanding at January 1, 1925, which were issued or incurred in the acquisition of new properties in 1924, were liquidated in part through the proceeds of the sale of 200,000 shares of Class A Stock in January, 1925. \$14,000,000 principal amount of 6% secured Gold Bonds, due 1955, were sold in May, 1925.

The obligation incurred in the acquisition of the Manila property in May, 1925, was provided for principally through the issuance of 6½% Perpetual Debenture Certificates aggregating \$9,200,000. Certificates for \$3,500,000 of this issue, are, by their terms, now convertible at the option of the Company into Preferred Stock of this Company, and the Company will ultimately have the same option for the remainder of the issue. It is not planned to exercise this option in the immediate future.

In August and September, 1925, the Company sold, with the assistance of its bankers, to its stockholders, consumers and the general public, 192,500 6½% Interest Bearing Option Warrants, \$95 full paid, aggregating \$18,287,500, upon which the face amount initially paid in was \$35. The Company had the right to call the remainder in installments of \$10 per call, calls

ASSOCIATED GAS *and* ELECTRIC SYSTEM

to be made not more often than at ninety-day intervals after January 5, 1926. The proceeds of this issue were principally used to pay for the "Penn Public System," and for new construction. The Option Warrants were sold to investors at \$36 initial payment, and are convertible when full paid into \$.50 Dividend Series Preferred Stock or into 6% Perpetual Debenture Bonds, which in turn are convertible at the holder's option into \$.50 Dividend Series Preferred Stock. The Option Warrants carried detachable certificates entitling the holders to purchase an equivalent number of shares of Common Stock of the Company at specified prices up to September 1, 1930, on which date the certificates become void. In addition, each Option Warrant when full paid entitled the holder to one-half share of Common Stock.

The Company continued the sale of its Preferred Stocks both through bankers and through its Customer Ownership Department, principally the latter, and during 1925 113,892 shares, having a liquidation value of \$8,963,600, were disposed of.

EARNINGS

The comparative income accounts shown on the opposite page continue to reflect large increases in both gross and net earnings and in the amounts available for dividends. It should be borne in mind, as last year's report pointed out, that the income account by no means indicates the full earning power of the properties which were operating as part of the Associated System at the close of the year because it includes earnings and expenses of properties acquired during the year only from the date of such acquisition to the end of the year.

FINANCIAL CONDITION

As has been its practice for many years, the books of account of your Company have been audited by Haskins & Sells, Certified Public Accountants, and their certificate is appended hereto with a Balance Sheet and Income Account prepared by them. The Balance Sheet consolidates the assets and liabilities of all the properties in the Associated System at December 31, 1925. The Consolidated Income Account reflects the results from the operation of all the properties in the Associated System during 1925, but for properties acquired during the year includes earnings and expenses only from the dates the new properties were acquired to the close of the year.

Respectfully submitted,

J. I. MANGE,
President

BY ORDER OF THE BOARD OF DIRECTORS

ASSOCIATED GAS *and* ELECTRIC SYSTEM

COMPARATIVE INCOME ACCOUNTS

	CALENDAR YEARS			
	1925	1924	1923	1922
GROSS EARNINGS:				
Electric	\$14,358,261.14	\$4,496,650.05	\$2,561,156.15	\$1,832,129.60
Gas	1,209,817.34	668,857.95	639,569.54	611,756.08
Transportation, Water, Heat and Miscellaneous	3,108,809.30	147,109.71	62,631.09	335,787.87
Total	\$18,676,887.78	\$5,312,617.71	\$3,263,356.78	\$2,779,673.55
OPERATING EXPENSES, MAINTENANCE AND TAXES	11,080,384.03	3,497,206.47	2,154,740.43	1,894,339.86
NET EARNINGS	\$7,596,503.75	\$1,815,411.24	\$1,108,616.35	\$885,333.69
OTHER INCOME	774,259.09	345,955.33	213,710.30	76,745.60
GROSS INCOME	\$8,370,762.84	\$2,161,366.57	\$1,322,326.65	\$962,079.29
LESS FIXED CHARGES AND OTHER DEDUCTIONS OF SUBSIDIARY AND AFFILIATED COMPANIES	3,477,743.81	866,195.22	435,665.39	308,214.51
BALANCE	\$4,893,019.03	\$1,295,171.35	\$886,661.26	\$653,864.78
FIXED CHARGES AND OTHER DEDUC- TIONS OF ASSOCIATED COMPANY:				
Interest on Funded Debt	\$971,924.71	\$148,568.46	\$78,459.40	\$135,470.45
Interest on Floating Debt	505,322.27	79,486.60	42,698.43	16,153.13
Amortization of Debt Discount and Expense	47,491.92	17,837.10	8,289.88	12,020.88
TOTAL FIXED CHARGES AND OTHER DEDUCTIONS OF ASSOCIATED COM- PANY	\$1,524,738.90	\$245,892.16	\$129,447.71	\$163,644.46
NET INCOME AVAILABLE FOR RE- NEWALS AND REPLACEMENT RE- SERVES, DIVIDENDS AND SURPLUS	\$3,368,280.13	\$1,049,279.19	\$757,213.55	\$490,220.32
LESS: RESERVED FOR RENEWALS AND REPLACEMENTS	1,036,112.55	289,414.19	179,822.10	125,046.06
INCOME AVAILABLE FOR DIVIDENDS	\$2,332,167.58	\$759,865.00	\$577,391.45	\$365,174.26
CUMULATIVE DIVIDENDS ON PRE- ferred STOCK	828,673.77	284,371.75	119,459.09	62,979.47
BALANCE AVAILABLE FOR OTHER DIVI- DENDS AND SURPLUS	\$1,503,493.81	\$475,493.25	\$457,932.36	\$302,194.79
DEDUCT—Class "A" Priority Dividends of \$2.00 per share	456,496.19			
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SURPLUS	\$1,046,997.62			

ASSOCIATED GAS *and* ELECTRIC SYSTEM

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
— AND IN —
LONDON, PARIS, BERLIN, SHANGHAI
MONTREAL, HAVANA, MEXICO CITY

37 WEST 39th STREET
NEW YORK

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

C E R T I F I C A T E

We have audited for the year ended December 31, 1925, the books and accounts of the Associated Gas and Electric Company, The Manila Electric Corporation, and Manila Electric Company (the latter embracing only the New York records); have reviewed reports for the year ended December 31, 1925, on the audit of the accounts of the several subsidiary and affiliated companies acquired prior to January 1, 1925, and for various periods of the companies acquired subsequent to January 1, 1925; and have prepared therefrom the accompanying Condensed Consolidated Balance Sheet at December 31, 1925, and Condensed Consolidated Income Account for the year ended that date (including income of companies acquired during the year from approximate dates of acquisition).

Haskins & Sells

New York,

November 1, 1926.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

ASSOCIATED GAS AND ELECTRIC COMPANY

AND SUBSIDIARY AND AFFILIATED COMPANIES

Condensed Consolidated Income Account for the year ended December 31, 1925

INCOME FOR COMPANIES ACQUIRED DURING THE YEAR IS INCLUDED ONLY
FROM APPROXIMATE DATES OF ACQUISITION TO DECEMBER 31, 1925

OPERATING REVENUE:		
Electric	\$14,358,261.14	
Gas	1,209,817.34	
Transportation	2,181,692.84	
Water, Heat, Ice, etc.	927,116.46	
TOTAL		\$18,676,887.78
OPERATING EXPENSES, MAINTENANCE, AND TAXES (including Companies' Accruals for Federal Income Tax for the Year 1925).		
		11,080,384.03
OPERATING INCOME		\$ 7,596,503.75
OTHER INCOME		774,259.09
GROSS INCOME		\$ 8,370,762.84
DEDUCT—Fixed Charges and Other Deductions:		
Subsidiary and Affiliated Companies:		
Interest on Funded and Unfunded Debt (less Interest During Construction)	\$ 1,908,365.87	
Amortization of Debt Discount and Expense	375,860.78	
Preferred Stock Dividends	701,057.63	
Deduction by Company for Income Applicable to Common Stocks of Subsidiary and Affiliated Companies held by the Public	492,459.53	3,477,743.81
Balance		\$ 4,893,019.03
Associated Gas and Electric Company:		
Interest on Funded and Unfunded Debt	\$ 1,477,246.98	
Amortization of Debt Discount and Expense	47,491.92	
Preferred Stock Dividends	828,673.77	2,353,412.67
BALANCE		\$ 2,539,606.36
DEDUCT—Provision for Renewals, Replacements and Retirements (Depreciation)		
		1,036,112.55
BALANCE		\$ 1,503,493.81
DEDUCT—Class "A" Priority Dividends of \$2.00 per share		
		456,496.19
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SURPLUS		\$ 1,046,997.62

ASSOCIATED GAS *and* ELECTRIC SYSTEM

ASSOCIATED GAS AND ELECTRIC COMPANY

AND SUBSIDIARY AND AFFILIATED COMPANIES

Condensed Consolidated Balance Sheet, December 31, 1925

Assets Side

PLANT, PROPERTY, FRANCHISES, AND COST OF ACQUIRING CAPITAL	\$185,337,470.65
UNAMORTIZED DEBT DISCOUNT AND EXPENSE	7,787,254.44
INVESTMENTS (Including Investments in Subsidiary and Affiliated Companies other than those included in the Consolidation)	4,357,867.51

CURRENT ASSETS:

Cash	\$ 3,663,129.37	
Special Deposits	367,960.47	
Notes Receivable	117,564.22	
Accounts Receivable:		
Consumers, Less Reserve	\$2,482,119.48	
Miscellaneous	<u>341,613.54</u>	
	2,823,733.02	
Due from Subscribers to Preferred Stocks and to Obligations Convertible into Preferred Stock	258,701.96	
Due from Subscribers to Option Warrants—Subject to Call after January 5, 1926—Payable in Installments . .	8,697,272.50	
Materials and Supplies	<u>3,078,148.02</u>	
TOTAL CURRENT ASSETS		19,006,509.56
SINKING FUNDS FOR RETIREMENT OF UNDERLYING BONDS .		145,434.11
DEFERRED CHARGES:		
Prepaid Expenses	\$ 331,272.30	
Miscellaneous Items in Suspense	<u>422,623.74</u>	
TOTAL DEFERRED CHARGES		753,896.04
TOTAL		<u>\$217,388,432.31</u>

ASSOCIATED GAS *and* ELECTRIC SYSTEM

ASSOCIATED GAS AND ELECTRIC COMPANY

AND SUBSIDIARY AND AFFILIATED COMPANIES

Condensed Consolidated Balance Sheet, December 31, 1925

Liabilities Side

CAPITAL STOCK AND SURPLUS:

Associated Gas and Electric Company:

Preferred Stocks—Stated at Liquidation Values \$14,116,550.00 ✓

Perpetual Debenture Certificates and Obligations Convertible into Preferred Stock by Company 3,442,700.00 ✓

Class A and B Stocks, Liquidation Values, and Common Stock—Capital and Surplus 28,346,666.89

Total Associated Gas and Electric Company . . . \$45,905,916.89

Subsidiary and Affiliated Companies:

Preferred Stocks—Issued or Issuable . . \$15,875,420.00 ✓

Common Stocks—Issued or Issuable and Surplus Applicable Thereto . . . 6,303,080.52 ✓

Total Subsidiary and Affiliated Companies . . . 22,178,500.52 ✓ \$68,084,417.41

TOTAL CAPITAL STOCK AND SURPLUS

FUNDED DEBT—ASSOCIATED GAS AND ELECTRIC CO.—

Secured Gold Bonds:

30-year 6½%, Convertible into Preferred Stock, Series due 1954 \$ 1,803,700.00 ✓

30-year 6%, Series due 1955 12,369,000.00 ✓

Perpetual Debenture Bonds and Certificates Convertible into Preferred Stock. . . 4,063,300.00 ✓

\$18,236,000.00 ✓

Subsidiary and Affiliated Companies 70,862,150.00 ✓

89,098,150.00

TOTAL FUNDED DEBT

6½% INTEREST BEARING OPTION WARRANTS (including \$8,697,272.50 subject to call after January 5, 1926), exchangeable for Preferred Stock, or Debenture Bonds Convertible into Preferred Stock

19,013,157.50 ✓ 8,697,272.50
11,377,576.25 10,315,825.00

PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS

CURRENT LIABILITIES:

Notes Payable \$ 8,415,077.38

Accounts Payable 1,935,201.00

Accrued Accounts:

Dividends, Interest and Miscellaneous 1,874,964.65

Taxes, Including Companies' Accruals for Federal Income Taxes for the Year 1925 746,079.24

TOTAL CURRENT LIABILITIES 12,971,322.27

CONSUMERS' DEPOSITS 1,218,991.37

RESERVES:

Renewals, Replacements and Retirement of Property . . . \$12,319,507.83

Difference Between Par Value of Interest-Bearing Option Warrants and Par or Liquidation Value of Securities to be Issued in Exchange Thereof 1,000,692.50

Other Optional Reserves, Including Reserves for Possible Additional Federal Taxes and Unsettled Contingent Liabilities 2,227,722.68

Dividends 76,894.50

TOTAL RESERVES 15,624,817.51

TOTAL \$217,388,432.31

8,697,272.50
208,691,159.81

ASSOCIATED GAS *and* ELECTRIC SYSTEM

ASSOCIATED GAS AND ELECTRIC SYSTEM

General Statistics of Operating Properties

ELECTRIC DEPARTMENT:

	YEAR ENDED DECEMBER 31	
	1925	1924
Gross Revenue from Sales of Current	\$18,483,912	\$7,327,656
Number of Customers	270,734	116,007
Miles of Transmission Lines	2,727	824
Current Sold (K. W. H.)	475,484,656	144,731,102
Gross Revenue per K. W. H. Sold	3.83 Cents	5.06 Cents

GAS DEPARTMENT:

Gross Revenue from Sale of Gas	{ Manufactured	\$803,869	\$838,408
	{ Natural	713,495	
Number of Customers	{ Manufactured	19,810	19,667
	{ Natural	14,299	
Miles of Main	{ Manufactured	207 *	317
	{ Natural	111 *	
Gas Sold (Cubic Feet)	{ Manufactured	436,737,000	515,271,300
	{ Natural	954,213,000	
Gross Revenue per 1,000 Cubic Feet Sold	{ Manufactured	\$1.84	\$1.63
	{ Natural . . . . .	.74	

* Reduced to three-inch equivalent for 1924 but not for 1925.

ASSOCIATED GAS^{and} ELECTRIC COMPANY

*Comparative Consolidated
Balance Sheet and Income Account*

SEPTEMBER, 1926

DECEMBER, 1925



ASSOCIATED GAS AND

AND SUBSIDIARY AND

Comparative Condensed

Assets Side

CAPITAL ASSETS:	September 30, 1926‡	December 31, 1925 *	Increase Decrease
Plant Property, Franchises, Cost of Acquiring Capital, Etc.	\$208,833,985.72	\$185,337,470.65	\$ 23,496,515.07
Unamortized Debt Discount and Expense	5,224,380.27	7,787,254.44	2,562,874.17
Investments (including Investments in Subsidiary and Affiliated Companies other than those included in the Consolidation)	5,918,822.91	4,357,867.51	1,560,955.40
TOTAL CAPITAL ASSETS	\$219,977,188.90	\$197,482,592.60	\$22,494,596.30
<hr/>			
CURRENT ASSETS:			
Cash and Special Deposits	\$ 6,136,261.41	\$ 4,176,523.95	\$ 1,959,737.46
Notes Receivable	21,362.26	117,564.22	96,201.96
Accounts Receivable:			
Consumers, Less Reserve	2,464,419.78	2,482,119.48	17,699.70
Miscellaneous	165,469.69	341,613.54	176,143.85
Subscriptions to Preferred Stocks and Unmatured Calls and Calls Receivable on Option Warrants.	6,021,212.22	8,955,974.46	2,934,762.24
Materials and Supplies	2,989,906.81	3,078,148.02	88,241.21
TOTAL CURRENT ASSETS	\$ 17,798,632.17	\$ 19,151,943.67	\$ 1,353,311.50
DEFERRED CHARGES:			
Prepaid Expenses	\$ 493,644.66	\$ 331,272.30	\$ 162,372.36
Miscellaneous Items in Suspense	822,573.36	422,623.74	399,949.62
TOTAL DEFERRED CHARGES	\$ 1,316,218.02	\$ 753,896.04	\$ 562,321.98
TOTAL ASSETS SIDE	\$239,092,039.09	\$217,388,432.31	\$ 21,703,606.78

ELECTRIC COMPANY

LIABILITIES AND CAPITAL

Condensed Balance Sheet

Liabilities Side and Capital

	September 30, 1926†	December 31, 1925*	Increase Decrease
CAPITAL STOCK AND SURPLUS:			
Associated Gas and Electric Company:			
Perpetual Debenture Certificates and Obligations being Converted into Preferred Stock	\$ 18,454,202.50	\$ 17,821,885.00	\$ 632,317.50
Preferred Stocks and Subscriptions—Stated at Liquidation Values	30,109,350.00	14,116,550.00	15,992,800.00
Class A and B Stocks, Liquidation Value, and Common Stock—Capital and Surplus	36,657,279.71	28,346,666.89	8,310,612.82
Total Associated Gas and Electric Company \$	85,220,832.21	\$ 60,285,101.89	\$ 24,935,730.32
Subsidiary and Affiliated Companies:			
Preferred Stocks—Issued or Issuable	\$ 4,939,553.68	\$ 15,875,420.00	\$ 10,935,866.32
Common Stocks—Issued or Issuable and Surplus Applicable Thereto	3,183.32	6,303,080.52	6,299,897.20
Total Subsidiary and Affiliated Companies \$	4,942,737.00	\$ 22,178,500.52	\$ 17,235,763.52
TOTAL CAPITAL STOCK AND SURPLUS	\$ 90,163,569.21	\$ 82,463,602.41	\$ 7,699,966.80
FUNDED DEBT:			
Associated Gas and Electric Company:			
Secured Gold Bonds:			
30-Year 6½%, Series due 1954	\$ 1,464,000.00†	\$ 1,803,700.00	\$ 339,700.00
30-Year 6%, Series due 1955	10,232,500.00	12,369,000.00	2,136,500.00
Total	\$ 11,696,500.00	\$ 14,172,700.00	\$ 2,476,200.00
Subsidiary and Affiliated Companies:			
Associated Electric Co.	65,000,000.00		65,000,000.00
Other Subsidiary and Affiliated Companies	39,344,800.00	70,862,150.00	31,517,350.00
TOTAL FUNDED DEBT	\$ 116,041,300.00	\$ 85,034,850.00	\$ 31,006,450.00
Property Purchase and Stock Contract Obligations	\$ 3,899,099.00	\$ 11,377,576.25	\$ 7,478,477.25
CURRENT AND ACCRUED LIABILITIES:			
Notes Payable	\$ 3,983,936.11	\$ 8,415,077.38	\$ 4,431,141.27
Accounts Payable	1,367,607.76	1,935,201.00	567,593.24
Accrued Accounts:			
Dividends, Interest and Miscellaneous	1,109,347.18	1,874,964.65	765,617.47
Taxes	1,391,678.19	746,079.24	645,598.95
TOTAL CURRENT LIABILITIES	\$ 7,852,569.24	\$ 12,971,322.27	\$ 5,118,753.03
Consumers' Deposits	\$ 1,409,309.37	\$ 1,218,991.37	\$ 190,318.00
RESERVES:			
Renewals, Replacements and Retirement of Property \$	12,125,979.19	\$ 12,319,507.83	\$ 193,528.64
Unmatured Calls and Calls Receivable on 6½% Interest-Bearing Option Warrants	3,975,390.00	8,697,272.50	4,721,882.50
Difference between Par Values of Interest-Bearing Option Warrants and Par or Liquidation Value of Securities to be Issued in Exchange Thereof.	652,995.00	1,000,692.50	347,697.50
Other Optional Reserves, including Reserves for Additional Federal Taxes and Unsettled Contingent Liabilities	2,702,020.82	2,227,722.68	474,298.14
Dividends	269,807.26	76,894.50	192,912.76
TOTAL RESERVES	\$ 19,726,192.27	\$ 24,322,090.01	\$ 4,595,897.74
TOTAL LIABILITIES SIDE AND CAPITAL	\$ 239,092,039.09	\$ 217,388,432.31	\$ 21,703,606.78

* Classification, grouping and nomenclature modified from annual report balance sheet at December 31, 1925, where necessary to make comparable with September 30, 1926.
† Called for payment January 1, 1927.
‡ Tentative.

ASSOCIATED GAS AND ELECTRIC COMPANY

AND SUBSIDIARY AND AFFILIATED COMPANIES

*Comparative Condensed Consolidated Income Account for the Years ended
September 30, 1926, and December 31, 1925*

Income for Companies acquired during the period is included only from approximate dates of acquisition

	Years ended		Increase Decreases
	September 30, 1926	December 31, 1925	
OPERATING REVENUE:			
Electric	\$ 20,524,181.91	\$ 14,358,261.14	\$ 6,165,920.77
Gas	1,557,627.34	1,209,817.34	347,810.00
Transportation	2,916,105.33	2,181,692.84	734,412.49
Water, Heat, Ice, etc.	1,417,745.77	927,116.46	490,629.31
TOTAL	\$ 26,415,660.35	\$ 18,676,887.78	\$ 7,738,772.57
OPERATING EXPENSES, MAINTENANCE AND TAXES (including Companies' Accruals for Federal In- come Tax for the period)	14,488,994.52	11,080,384.03	3,408,610.49
OPERATING INCOME	\$ 11,926,665.83	\$ 7,596,503.75	\$ 4,330,162.08
OTHER INCOME	1,263,373.89	774,259.09	489,114.80
GROSS INCOME	\$ 13,190,039.72	\$ 8,370,762.84	\$ 4,819,276.88
DEDUCT—Fixed Charges and Other Deductions: Subsidiary and Affiliated Companies:			
Interest on Funded and Unfunded Debt (less Interest during Construction)	\$ 3,896,405.47	\$ 1,908,365.87	\$ 1,988,039.60
Amortization of Debt Discount and Expense	337,332.50	375,860.78	38,528.28
Preferred Stock Dividends	742,831.35	701,057.63	41,773.72
Deduction by Company for Income Applicable to Common Stocks of Subsidiary and Affiliated Companies held by the public	445,194.56	492,459.53	47,264.97
TOTAL	\$ 5,421,763.88	\$ 3,477,743.81	\$ 1,944,020.07
BALANCE	\$ 7,768,275.84	\$ 4,893,019.03	\$ 2,875,256.81
Associated Gas and Electric Company:			
Interest on Funded and Unfunded Debt	\$ 2,498,140.62	\$ 1,477,246.98	\$ 1,020,893.64
Amortization of Debt Discount and Expense	58,007.47	47,491.92	10,515.55
Preferred Stock Dividends	1,347,952.57	828,673.77	519,278.80
TOTAL	\$ 3,904,100.66	\$ 2,353,412.67	\$ 1,550,687.99
BALANCE	\$ 3,864,175.18	\$ 2,539,606.36	\$ 1,324,568.82
DEDUCT—Provision for Renewals, Replacements and Retirements (Depreciation)	1,553,762.84	1,036,112.55	517,650.29
BALANCE	\$ 2,310,412.34	\$ 1,503,493.81	\$ 806,918.53
DEDUCT—Class "A" Priority Dividend of \$2.00 Per Share	581,462.88	456,496.19	124,966.69
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SURPLUS	\$ 1,728,949.46	\$ 1,046,997.62	\$ 681,951.84

1925
Year Book of the
ASSOCIATED
GAS^{and}ELECTRIC
SYSTEM

*Territories served
and description
of properties*



SEVEN GREAT FORMS OF POWER

MAN-POWER:

Man's arm for lifting, his hand for manipulating, his back and shoulders for carrying—the first and still probably most widely used form of power.

ANIMAL-POWER:

The ox, the dog, or the horse for pulling loads or turning tread mills.

WIND-POWER:

The wind mill for grinding grain or pumping water.

WATER-POWER:

The weight of falling water for turning wheels and driving machines.

STEAM-POWER:

The pressure of expanding steam for propelling engines or supplying heat.

GASOLINE-POWER:

The force of exploding gas for turning engines and driving wheels.

ELECTRIC-POWER:

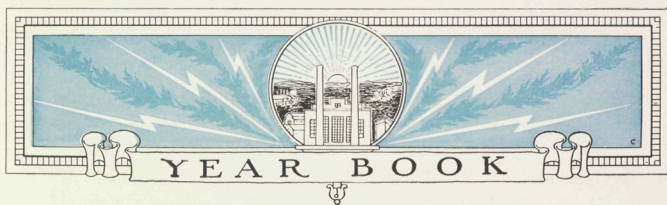
Perhaps the greatest form of energy. It is the most versatile: it produces light, heat and power. Unlike any other form of energy it can be transmitted economically at great distances and can be utilized in very small units as well as in giant motors.



The electric light and power industry is one of the most remarkable developments of the present day. Its output in kilowatt hours has practically doubled every five years for the past quarter of a century.

The management of the Associated Gas and Electric System is pleased to participate in this industry and to contribute to its growth. The following pages briefly describe and illustrate some of its properties.



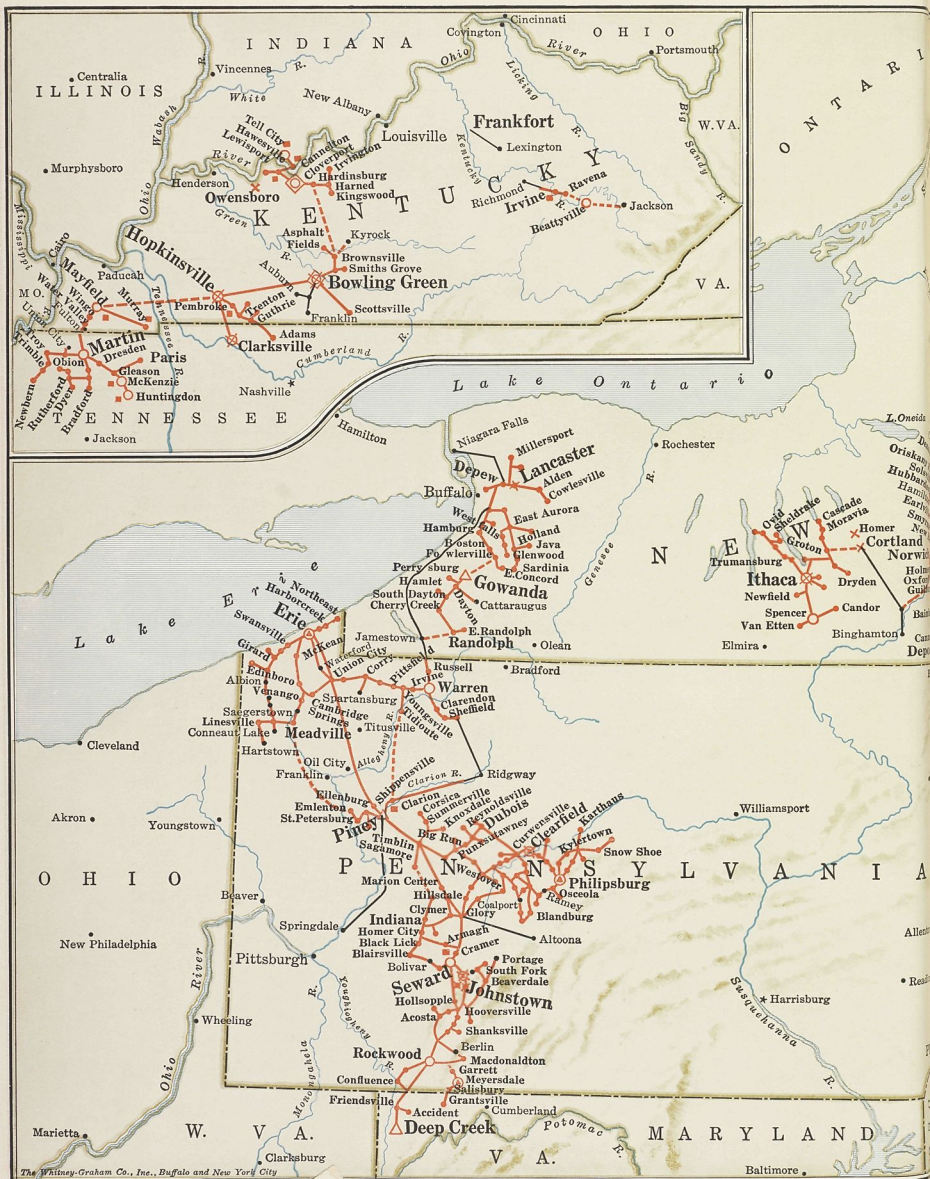


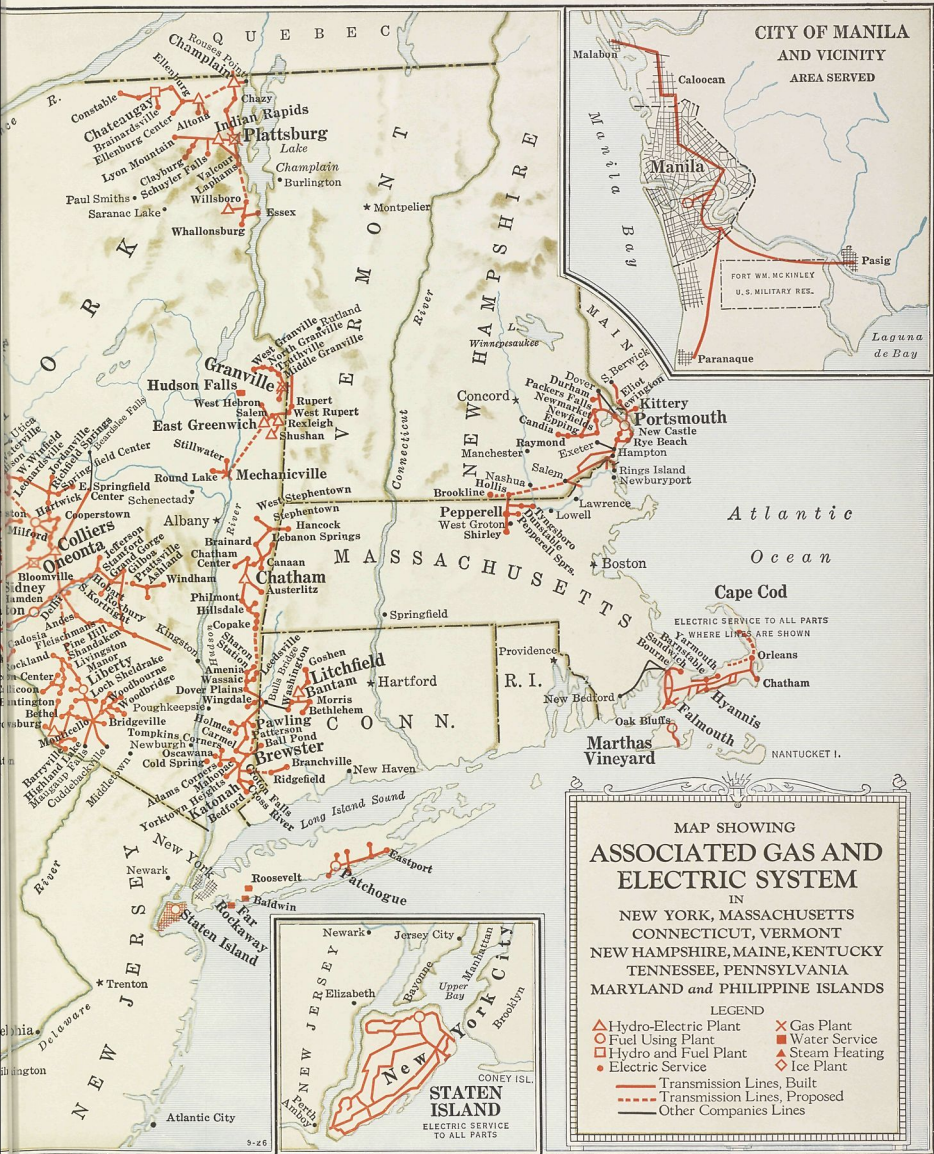
THE Associated Gas and Electric System dates back to 1852. The Ithaca Gas Light Company was incorporated in that year and supplied gas to twenty-eight customers in the City of Ithaca, New York. It or its successor companies have been in continuous operation since that time.

The Johnstown Water & Gas Co., Johnstown, Pa., started business in 1856. The Owensboro Gas Light Company in Kentucky, long a part of the Associated System, was organized in 1860. The Solomon Gas Company at Bowling Green, Kentucky, was established in 1863.

The commercial manufacture of gas preceded that of electricity by over half a century. Edison invented the incandescent lamp in 1879. Electric light plants began to spring up shortly thereafter. The first commercial distribution of electricity was made in 1882, in New York City, by the predecessor of the New York Edison Company.

Many of the companies in the Associated System were among the pioneers in the electric light and power industry. The Johnstown Electric Light Company, Johnstown, Pa., started business in 1885. The Richmond Light, Heat and Power Company was established on Staten Island, New York City, in 1887. The Patchogue Electric Company at Patchogue, Long Island, dates back to 1887. The Brush-Swan Electric Company at Ithaca, New York, began operations in 1888. The electric plant of the Capital Gas Company at Frankfort, Kentucky, was built in 1889, and the Plattsburg Gas and Electric Company, Plattsburg, New York, was started in 1889.





Groups of Properties

The map at the center of this book indicates the location and extent of the Associated properties. There are nine main groups as follows:

The CENTRAL NEW YORK STATE group which serves 42,000 customers in south central New York State.

The EASTERN NEW YORK properties supply electricity or gas to 23,500 consumers in sections centering at Plattsburg and Mechanicville and along the New York, Massachusetts and Connecticut border.

The WESTERN NEW YORK group serves electricity or gas to 12,000 consumers in Depew and Lancaster and adjacent communities.

The METROPOLITAN NEW YORK group serves electricity to 32,000 consumers on Staten Island, Borough of Richmond, New York City.

The LONG ISLAND properties serve water to 25,000 consumers in Queens (New York City) and Nassau counties and electricity to 5,000 consumers at Patchogue, Long Island.

The KENTUCKY-TENNESSEE-INDIANA group serving 25,000 consumers in Kentucky, Tennessee and Indiana.

The NEW ENGLAND group centering around Portsmouth, New Hampshire, also operating properties on Cape Cod and elsewhere in Massachusetts, serving electricity to 16,000 consumers.

The MANILA properties serving electricity to 50,000 consumers in the City of Manila.

The PENNSYLVANIA group, known as the Penn Public System, provides public service to 100,000 consumers in Western Pennsylvania.

The properties in the Associated System supply public service to a total of 330,000 consumers in 1,000 communities having 2,000,000 population. Eighty-four per cent of the net operating revenue of the Associated System is from electricity.



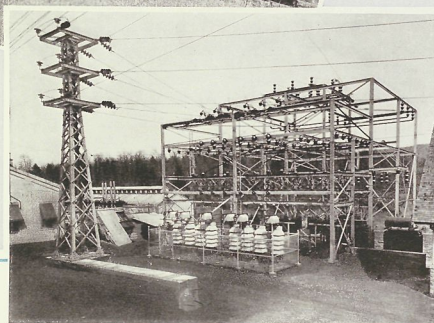
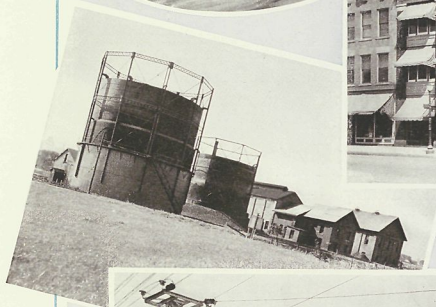
Central New York State Group

The Central New York operating light and power properties serve electricity and/or gas to more than 42,000 consumers in 211 communities, of which the greater number are located in the rich agricultural district in the south central portion of the State.

Among the communities served are Ithaca, Cortland, Oneonta, Norwich, Cooperstown, Sidney, Stamford, Walton, Liberty and Monticello.

The section of New York State served represents a wide diversity of business, manufacturing and agricultural (dairying and fruit raising) activities. It is essentially a well established, steadily growing area. The communities are all of moderate size and of the typical prosperous business and residential character.

ASSOCIATED GAS *and* ELECTRIC SYSTEM



Hydro-Electric Plant, Colliers, N. Y.
Gas Plant, Cortland, N. Y.

Company Office Building, Ithaca, N. Y.

Sub-Station, Colliers, N. Y.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

A favorable contract has been made for the purchase of power from the Adirondack Power and Light Corporation. As a result plans have been completed for making one great power system covering the central and southern New York territory. More than \$1,000,000 has been spent in the construction of high tension transmission lines in order that these properties might be joined with the Adirondack water powers. In addition to their own generating plants and the power connection with the Adirondack Plants, the Associated properties in this district will eventually be connected with adjoining properties and in that way will have large power resources to draw upon.



Eastern New York Group

There are three groups of properties in the eastern part of New York. One group, known as the Harlem Valley unit, extends from Westchester County to the region southeast of Albany. Among the communities served are Chatham, Pawling and Brewster. This unit, representing what were formerly twelve local systems serving in the aggregate 10,000 consumers, is a good example of the consolidation of electric light systems that has been going on in rural sections. The second group centers around Mechanicville and is known as the New York-Vermont group. The third centers around Plattsburg and is known as the Champlain group. The last two groups serve electricity and/or gas to approximately 14,000 consumers in northeastern New York.

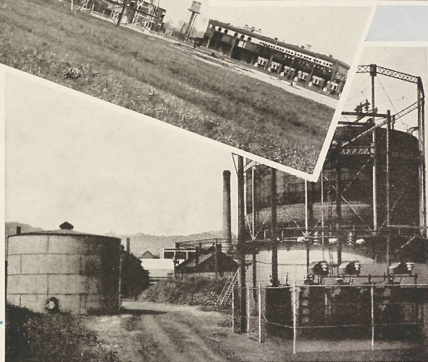
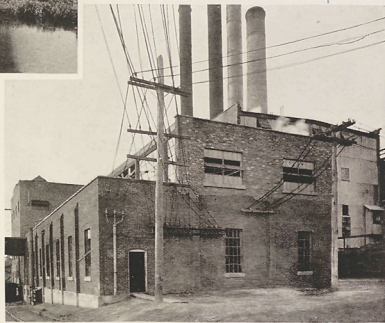
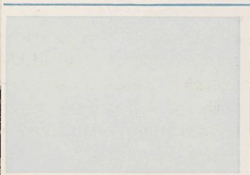
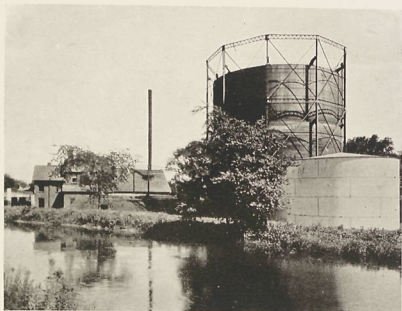
High tension transmission lines are being constructed along the New York, Connecticut and Massachusetts border thus insuring an adequate supply of power for the Associated properties. This improvement means that many communities formerly without electric light and power will have the opportunity of benefiting from the service.



Western New York Group

The Western New York properties supply electricity in the industrial and agricultural areas centering at Depew, Lancaster and Gowanda. These properties are supplied with electricity generated at Niagara Falls which is purchased under a contract extending until 1954. Natural gas wells are owned on over 200 acres of property and present indications are that the supply of gas will be sufficient for many years.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

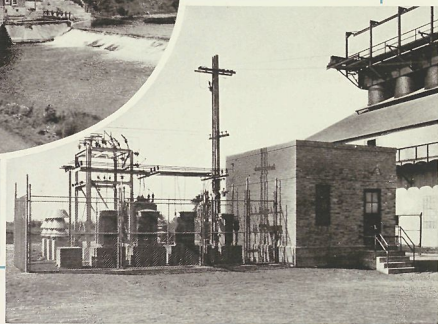
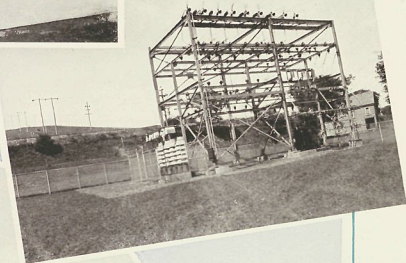


Gas Plant, Oneonta, N. Y.
Sub-Station, Gardenville, N. Y.

Steam Power Plant, Ithaca, N. Y.

Gas Plant, Norwich, N. Y.

ASSOCIATED GAS *and* ELECTRIC SYSTEM



Office Building, Lancaster, N. Y.
Hydro-Electric and Gas Plants, Plattsburg, N. Y.

Sub-Station, Delhi, N. Y.
Sub-Station, Plattsburg, N. Y.

Metropolitan New York Group

The Staten Island Edison property serves electricity without competition to over 32,000 consumers on the whole of Staten Island, Borough of Richmond, New York City. It also furnishes power for the operation of all the railways there. Through subsidiaries it supplies a substantial portion of the electric railway service and operates a ferry line between Staten Island and New Jersey. A rapid transit tunnel now under construction to connect Staten Island with Brooklyn, and the construction of two bridges between Staten Island and New Jersey, insure the rapid development of this territory.

"Staten Island, larger than the Bronx and nearly as large as Brooklyn, is a 'frontier.' It has only four persons to the acre, while Queens has ten, the Bronx thirty-five, Brooklyn fifty-five and Manhattan 170. None of these boroughs is more naturally attractive than Richmond * * *.

"Brooklyn may well look to Staten Island to take care of her population overflow. With the Fourth Avenue subway extended into the island, either through a tunnel or across a bridge, there would be more and better home room for Brooklyn workers than the most populous borough can offer."

—(Editorial, *New York Sun*, December 1, 1925)

There has been a very rapid growth in electrical service on Staten Island through the addition of new customers. The number of meters in service has increased from 2,000 in 1908 to more than 32,000 in 1925. During the same period the annual output in kilowatt hours has increased six times, namely from 12,000,000 to 77,000,000.

Improvements and new construction costing more than \$5,000,000 have recently been completed in order that the Company might better serve its old customers and at the same time take care of new customers and other increased business. The capacity of the power plant at Livingston has been considerably increased so that the Company might fulfill its recently acquired contract for supplying power to the lines of the Baltimore and Ohio Railroad on the island which have been electrified.

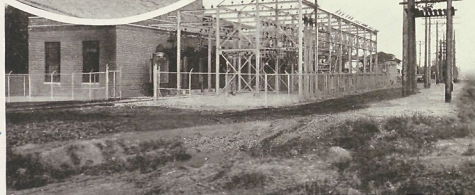
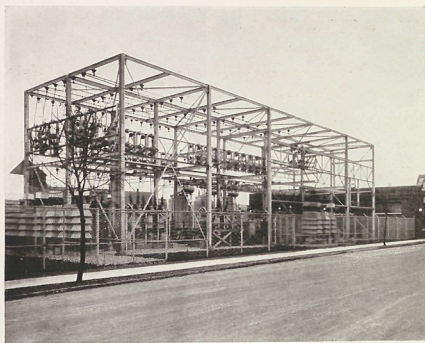
Staten Island has been experiencing rapid growth as a result of home building and settlement by newcomers. Its population has increased 18.6% from 1920 to 1925 as compared with an increase of 4.5% for the City of New York as a whole. New electric light customers have for a considerable period been added at the rate of over 200 a month.



Long Island Group

The Long Island operating water properties serve 24,000 consumers in Queens and Nassau Counties which are located on Long Island in and adjacent to the City of New York. Both Queens and Staten Island, Borough

ASSOCIATED GAS *and* ELECTRIC SYSTEM



Clifton Sub-Station, Staten Island, N. Y.

Steam Power Plant, Staten Island, N. Y.

Service Building, Staten Island, N. Y.

Eltingville Sub-Station, Staten Island, N. Y.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

of Richmond, are within the corporate limits of the City of New York. The population of the Borough of Queens increased 52.3% from 1920 to 1925.

The Patchogue Electric Light Company, also a part of the Associated System, serves the southern shore of Long Island. This territory has a year round population of approximately 15,000 and the customers of the Company exceed 5,000. The communities served with electricity include some of the most popular watering places and summer resorts on Long Island.

The combined light and power properties in New York State include steam and hydro-electric power stations with an aggregate generating capacity of 60,000 K. W.; gas plants with a daily capacity of 3,230,000 cubic feet, and 865 miles of electric high-tension transmission lines with additional lines under construction. The gas properties have over 170 miles of mains. The total population served is nearly 500,000.



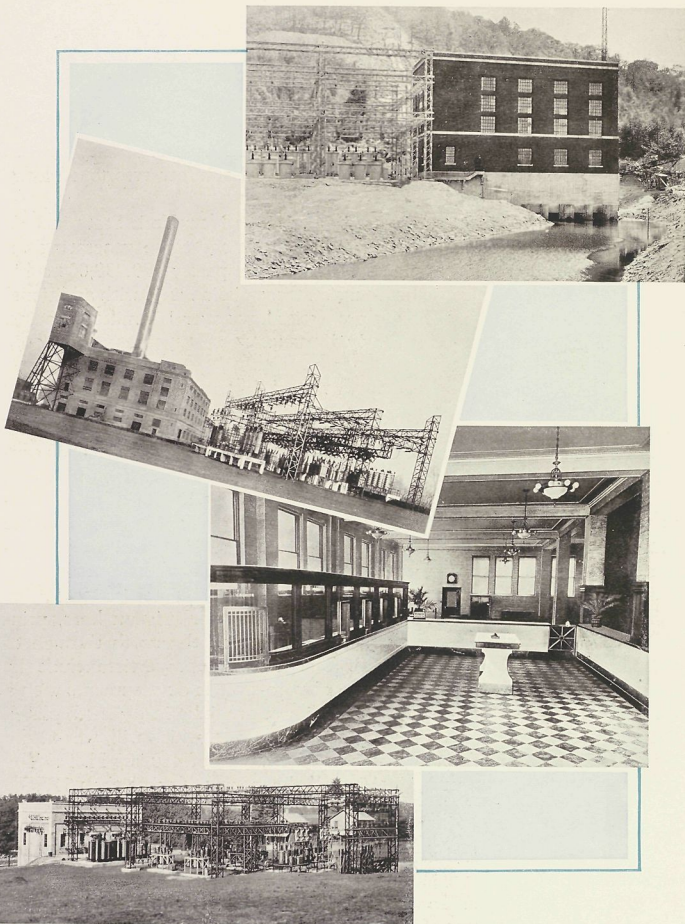
Pennsylvania Group

The Penn Public System serves electricity and/or gas to over 100,000 consumers in 350 communities in Western Pennsylvania extending from the New York-Pennsylvania state line and Lake Erie on the north in a southeasterly direction through the entire width of the state over into the State of Maryland. The Pennsylvania area served comprises approximately one-sixth of the entire state, having a total population of more than 875,000.

The properties are connected by high tension transmission lines, principally 110,000 volts, extending from Erie, Pa., on the north through to Deep Creek, Maryland, on the south. The generating properties include the Clarion River and Youghiogheny River hydro-electric developments with a total installed capacity of 48,000 H. P. These are links in a contemplated chain of hydro-electric developments on these rivers, which will, when fully developed, afford an ultimate capacity of upwards of 400,000 H. P. The steam stations have an additional installed capacity of more than 175,000 H. P. Their principal units likewise are adapted for expansion as may be necessary.

The hydro-electric and steam generating plants are interconnected by high-tension transmission lines, making possible the most efficient use of the generating facilities. In addition the properties include five coal mines containing 20,000,000 tons of unmined coal. The coal mines have thoroughly modern equipment including electric haulage, electric mining machines,

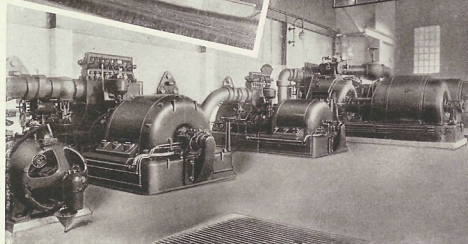
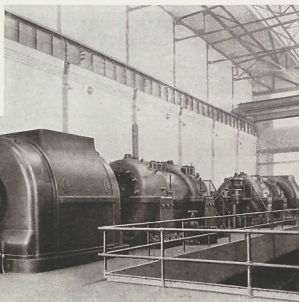
ASSOCIATED GAS *and* ELECTRIC SYSTEM



Steam Power Plant and Switching Station, Seward, Pa.
Sub-Station and Switchyard, Clory, Pa.

Hydro-Electric Plant, Deep Creek, Md.
Interior of Office, Erie, Pa.

ASSOCIATED GAS *and* ELECTRIC SYSTEM



Sub-Station, Indiana, Pa.
Steam Power Plant, Front Street, Erie, Pa.

Turbo-Generators, Power Plant, Seward, Pa.
Interior, Steam Power Plant, Peach Street, Erie, Pa.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

electric driven pumps, fans and hoists. The principal steam generating station, as well as the most important secondary steam stations, are located at the mouths of the coal mines.

Among the communities served are Erie, Johnstown, Meadville, Warren, Du Bois, Punxsutawney, Clearfield, Corry, Indiana, Philipsburg, Blairsville, Union City, Northeast and Somerset. The territory is primarily industrial and abounds in highly valuable natural resources.

There is a wide diversity of both urban and rural industries in the territories served. In the City of Erie there are over 500 manufacturing and industrial enterprises. Among the leading industries in the territory served are coal mining, fire brick, and plate glass manufacturing, oil and gas pumping, railroad shops, tanneries, silk mills and furniture factories, iron and steel manufacturing and to an increasing extent dairying and farming. More than half the territory is underlaid with bituminous coal.

All of the electrical properties constituting the Penn Public System have shown a steady growth for a considerable number of years. For some of the larger companies there has been a steady increase from year to year for a period of nearly fifteen years, despite such industrial fluctuations as were brought about by the World War.

The annual sales of electricity increased eleven times (between 1912 and 1925), from 25,000,000 k.w.h. to 275,000,000 k.w.h. The number of electric customers increased nearly six times (between 1912 and 1925), from 15,000 to approximately 86,000. The number of miles of transmission lines increased over twenty-four times during the same period, from 49 miles to over 1,200 miles. The number of stockholders increased fifteen times from approximately 600 in 1919 to nearly 9,000 in 1924. The main lines of the principal eastern railways cross its territory. Three of these railways are proposing electrification of their lines within this territory in the near future.

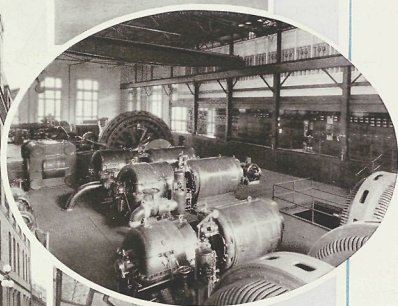
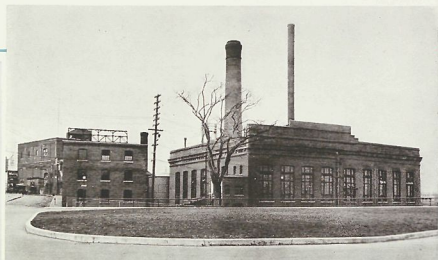


New England Group

In Massachusetts, electricity is distributed to more than 8,000 consumers in 85 communities located in the southern section of Cape Cod and on Martha's Vineyard and to over 1,100 consumers in five communities in the northeastern part of the state, including Pepperell, Shirley, Tyngsboro and Dunstable, Massachusetts, and in the town of Hollis, New Hampshire. The total population is estimated at 47,000.

Electricity for the Cape Cod territory is generated in the plants of the New Bedford Gas and Edison Light Company. The operating properties

ASSOCIATED GAS *and* ELECTRIC SYSTEM



Power Plant, Portsmouth, N. H.

Office, Portsmouth, N. H.

Interior Portsmouth Power Plant

Appliance Office, Portsmouth, N. H.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

own 90 miles of high-tension transmission and 309 miles of distribution lines.

In New Hampshire and Maine, the Portsmouth property serves 7,500 consumers in 15 communities largely devoted to manufacturing. The principal communities are Portsmouth, New Market, Raymond, Candia, Rye and Epping in New Hampshire, and Kittery and Eliot in Maine. In addition, power at wholesale is supplied to the following electric distributing companies: Twin States Gas and Electric Co., and Exeter and Hampton Electric Light Co. The total population served is approximately 40,000.

The properties include a 15,500 K. W. steam station located at tidewater in the City of Portsmouth. The Company also has undeveloped water rights on the Lamprey River near New Market. Electricity is distributed over 90 miles of high-tension transmission lines.

The electrical output by the New England properties shows a steady increase. In fact the growth is more rapid than that of the electric output for New England as a whole. The latter was 12.2% for the first six months of 1925 over the same period in 1924, whereas the output of the New England Associated properties increased 21.5% in September, 1925, over the same period in 1924.



Kentucky-Tennessee-Indiana Group

The Kentucky-Tennessee properties serve over 25,000 consumers in 57 communities in agricultural districts in Kentucky, Tennessee and Indiana largely devoted to the cultivation of tobacco. The principal communities include Hopkinsville, Owensboro, Frankfort, Mayfield and Bowling Green, Kentucky; Martin, Paris and Clarksville, Tennessee; and Tell City and Cannelton, Indiana. The total population served is more than 100,000.

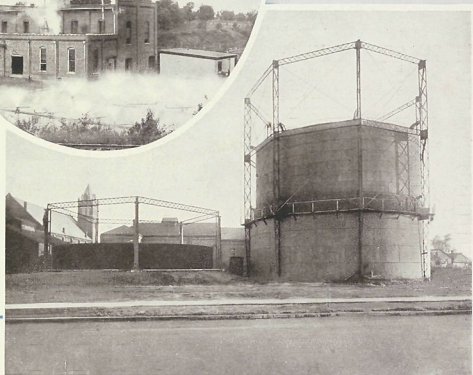
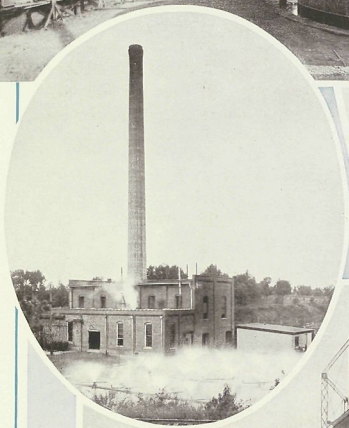
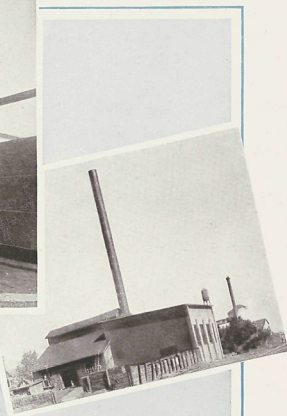
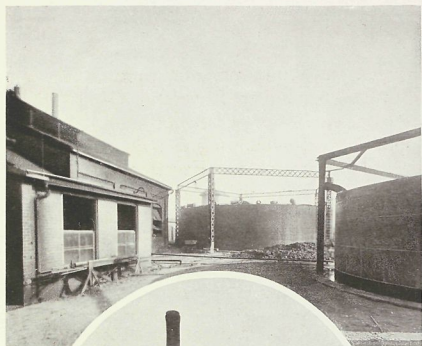
The properties include electric power stations with a generating capacity of 10,000 K. W., distributed over 287 miles of high-tension transmission lines, gas plants with a daily capacity of 605,000 cubic feet and 60 miles of gas mains. Sixteen municipally owned and operated electric plants and distributing systems, adjacent to the territory theretofore served and partly in northwestern Tennessee, were recently acquired.



Manila Properties

The Manila Electric property, which has served the City of Manila and its suburbs since 1905, distributes electricity to more than 50,000 consumers serving a total population in excess of 400,000. It also furnishes the entire

ASSOCIATED GAS *and* ELECTRIC SYSTEM



Gas Plant, Hopkinsville, Ky.
Steam Power Plant, Hopkinsville, Ky.

Steam Power Plant, Clarksville, Tenn.

Gas Plant, Owensboro, Ky.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

street railway service which is profitably operated. Manila is the capital, the trading and shipping center and the industrial metropolis of the Islands, and is one of the important ports and trade centers of the Far East.

The Company generates all its power in a modern power plant (concrete and steel construction) having a rated capacity of 29,500 K. W. The electric distribution lines are built in accordance with the best American standards and cover the territory thoroughly.

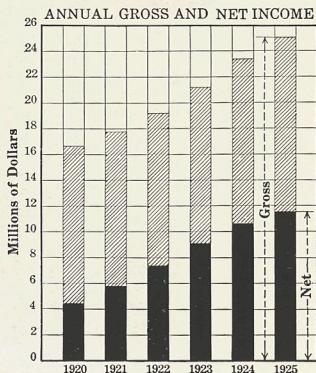
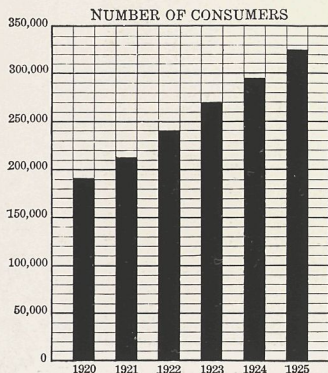
The electric railway lines consist of 52 miles of standard gauge track built and maintained under the best American practice. The rolling stock includes 170 cars, principally of American manufacture. The property is well maintained and carries over 34,000,000 passengers annually. Lack of other means of rapid transit in Manila makes the community almost entirely dependent upon the electric railway, which has been profitably operated.

□ □

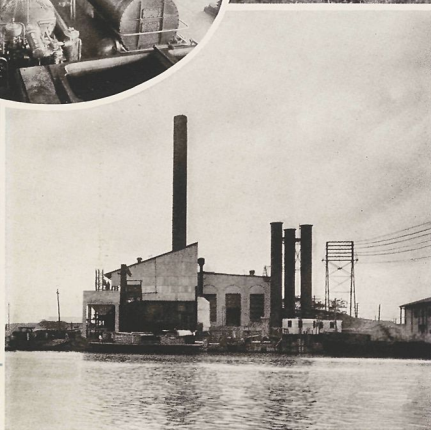
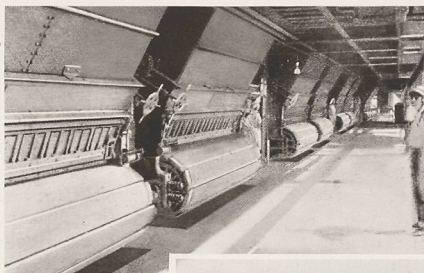
Ohio Property

In Van Wert, a gas plant with a daily capacity of 600,000 cubic feet distributes gas to 1,800 consumers through 23 miles of mains. The total population served is 8,100.

GROWTH IN CONSUMERS AND INCOME OF THE ASSOCIATED SYSTEM



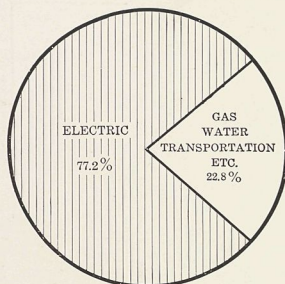
ASSOCIATED GAS *and* ELECTRIC SYSTEM



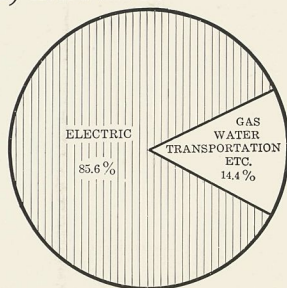
Boiler Room Stoker Installation
Turbo-Generators, Manila, P. I. Pandacan Sub-Station, Manila, P. I.
Steam Power Plant, Manila, P. I.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

SOURCES OF 1925 EARNINGS



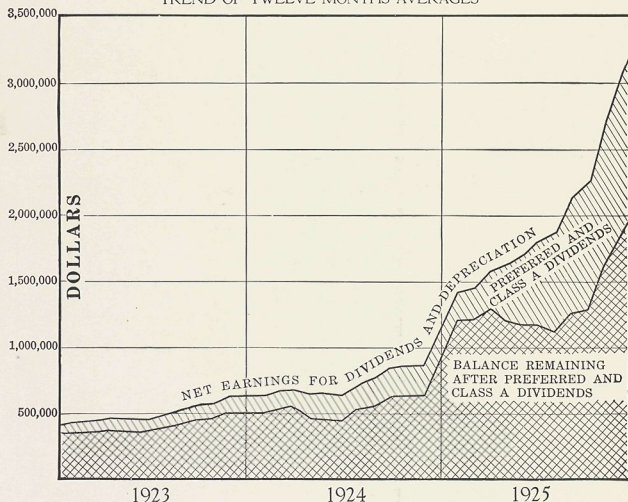
GROSS EARNINGS



NET EARNINGS

EARNINGS AND DIVIDENDS

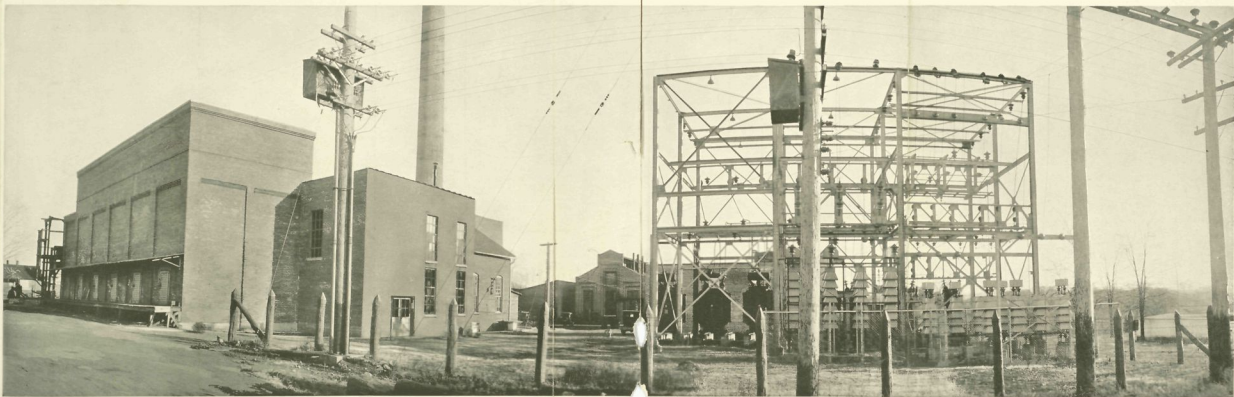
TREND OF TWELVE MONTHS AVERAGES



This chart gives effect to earnings of new properties only since the dates they joined the Associated System.



PINEY DAM AND POWER HOUSE, CLARION RIVER, PENNSYLVANIA



ELECTRIC, GAS AND ICE PLANTS, BOWLING GREEN, KENTUCKY

ASSOCIATED GAS *and* ELECTRIC SYSTEM

ASSOCIATED
GAS *and* ELECTRIC
COMPANY



*Annual Report of the Board of Directors
~ to the Stockholders ~
for the Year ended December 31, 1926*

ASSOCIATED GAS *and* ELECTRIC SYSTEM

Organization of the *Associated Gas and Electric Company*

(Incorporated under the laws of the State of New York in 1906)

Officers

J. I. MANGE, *President* New York
H. C. HOPSON, *Vice-President and Treasurer* New York
S. J. MAGEE, *Vice-President and General Manager* New York
H. D. FITCH, *Vice-President* Bowling Green, Ky.
J. M. DALY, *Vice-President* New York
O. E. WASSER, *Comptroller and Assistant Secretary-Treasurer* Ithaca, N. Y.
M. C. O'KEEFE, *Secretary and Assistant Treasurer* New York
G. M. MICHEL, *Assistant Treasurer* New York

Directors

CHARLES W. BEALL New York Harris, Forbes & Company	HOWARD C. HOPSON New York Vice-President and Treasurer
FREDERICK S. BURROUGHS New York Harris, Forbes & Company	SANFORD J. MAGEE New York Vice-President and General Manager
JOHN M. DALY New York Vice-President	JOHN I. MANGE New York President
HENRY D. FITCH Bowling Green, Ky. Vice-President	JOHN NICKERSON New York John Nickerson & Company
FREDERICK T. HEPBURN New York F. T. Hepburn & Company	FARIS R. RUSSELL New York Vice-President National Bank of Commerce in New York

FINANCIAL OFFICE, 61 Broadway, New York City
PRINCIPAL OFFICE Ithaca, New York

THE J. G. WHITE MANAGEMENT CORPORATION
OPERATING MANAGERS
33 LIBERTY STREET, NEW YORK CITY

ASSOCIATED GAS *and* ELECTRIC SYSTEM

Transfer Agents for Capital Stocks

CLASS A AND \$6.50 DIVIDEND SERIES PREFERRED STOCK

The Seaboard National Bank of the City of New York, 115 Broadway, New York City

COMMON STOCK, ORIGINAL SERIES, \$7.00 DIVIDEND SERIES
AND \$6.00 DIVIDEND SERIES PREFERRED STOCKS

The Company by

F. E. Taylor and W. L. Freund, Room 2015, 61 Broadway, New York City



Registrars for Capital Stocks

COMMON STOCK

The J. G. White Management Corporation, 33 Liberty Street, New York

CLASS A STOCK

National Bank of Commerce in New York

ORIGINAL SERIES PREFERRED STOCK

American Exchange-Irving Trust Company

\$6.00 DIVIDEND SERIES PREFERRED STOCK

The Chase National Bank of the City of New York

\$6.50 DIVIDEND SERIES PREFERRED STOCK

Chemical National Bank

\$7.00 DIVIDEND SERIES PREFERRED STOCK

The Bank of America



Trustees and Registrars for Bonds

CONVERTIBLE DEBENTURE CERTIFICATES

National Bank of Commerce in New York

5 ½ % CONVERTIBLE GOLD DEBENTURES DUE 1977

The New York Trust Company

Dividend Payments

ON ALL CLASSES OF STOCK
by
The Company, Ithaca, New York



Interest Payments

ON COUPON DEBENTURES
6% CONVERTIBLE DEBENTURE CERTIFICATES, SERIES B, AND
5½% CONVERTIBLE GOLD DEBENTURES, DUE 1977
by
The Company, Room 2015, 61 Broadway, New York City
ALL OTHER CONVERTIBLE DEBENTURE CERTIFICATES
by
National Bank of Commerce in New York

ON REGISTERED DEBENTURES
ALL CONVERTIBLE DEBENTURE CERTIFICATES
by
The Company, Ithaca, New York



European Agents

MUNICIPAL AND GENERAL SECURITIES COMPANY, LIMITED
9, Cloak Lane, Cannon Street,
London, England

ASSOCIATED GAS *and* ELECTRIC SYSTEM

Annual Report of the Board of Directors
of
ASSOCIATED GAS AND ELECTRIC COMPANY
TO THE STOCKHOLDERS
For the Year Ended December 31, 1926

TO THE STOCKHOLDERS OF
ASSOCIATED GAS AND ELECTRIC COMPANY:

Your Board of Directors herewith submits the annual report for the year ended December 31, 1926, with statement of income for the year and balance sheet showing the financial condition at the close of the year.

TERRITORY

THE COMPANY, from time to time in the past, as opportunity offered, has acquired control, through stock ownership, of properties adjacent to those which it already controlled or which could advantageously be operated in connection therewith. During 1926, the territory of the Company's operating subsidiaries has been materially extended. The principal acquisitions were the entire voting stock of Gas Utilities, Inc., which controls companies operating gas plants in Pennsylvania, Ohio, Indiana, Illinois, and South Dakota; and a large majority of the voting stock of the Maritime Electric Company, Ltd., owning and operating electric plants in the three Canadian Maritime Provinces, viz., Nova Scotia, New Brunswick, and Prince Edward Island. Other additions include properties adjacent to the Penn Public Group, the New York State Group, and the Kentucky-Tennessee Group.

OPERATING PROPERTIES

Following are the more important statistics concerning the properties in the Associated System. These fall naturally into the groups indicated below:

New York State Group
Penn Public Group
New England Group
Kentucky-Tennessee Group

Manila Properties
Gas Utilities Group
Maritime Group
Van Wert Gas Light Co.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

New York State Group

The combined New York State properties at December 31, 1926, supplied 155,000 consumers with electric, gas, and/or water service in 524 communities serving a total population estimated at over 590,000. These properties include steam and hydro-electric generating stations with an installed capacity of 62,000 kilowatts and 1,014 miles of high tension transmission lines; also 7 gas plants with daily capacity of 3,230,000 cubic feet and 178 miles of mains.

Penn Public Group

This group supplies 109,000 consumers in 350 communities with electric, gas, and/or water service. The total population of the communities served is estimated to be in excess of 875,000. The system includes 1,400 miles of high tension transmission lines emanating from 10 steam and 2 hydro-electric power stations with total installed generating capacity of 136,950 kilowatts.

New England Group

The New England group comprises 19 communities in southeastern New Hampshire, and Cape Cod and Martha's Vineyard in Massachusetts, and supplies electric service to 20,000 consumers, serving a total population of approximately 87,000. A steam power station located at tidewater, with 15,500 kilowatts capacity, and 114 miles of high tension transmission lines serve this territory.

Kentucky-Tennessee Group

The properties comprising this group supply electric, gas, and/or water service to more than 32,000 consumers in 60 communities having a population estimated at more than 160,000. The properties include steam electric generating plants with a total capacity of 10,700 kilowatts, and gas plants with a daily capacity of more than 600,000 cubic feet and 62 miles of mains.

Manila Properties

The Manila properties serve electricity to more than 55,000 consumers in the City of Manila and its suburbs, which have a total population of more than 400,000. Power is generated in the company's steam plant with total installed capacity of 29,500 kilowatts connected to 17 miles of high tension transmission lines. In addition, the company operates the entire street railway system. Standard gauge track is used throughout the 52 miles of lines, and all rolling stock is of American standard manufacture. The railway carries in excess of 36,000,000 passengers annually.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

Gas Utilities Group

These properties, which were acquired during 1926, supply 58,000 gas consumers in 17 important communities in Pennsylvania, Ohio, Indiana, Illinois, and South Dakota, serving a total population of more than 320,000. The properties include 717 miles of mains and 5 gas plants having total daily capacity of more than 10,000,000 cubic feet.

Maritime Group

The Maritime properties, acquired in 1926, supply electric service to upwards of 7,500 consumers in 16 communities of the Maritime Provinces of Canada—Nova Scotia, New Brunswick, and Prince Edward Island—and in southeastern Maine. The population of the territory served is estimated at more than 45,000. The properties include 3 steam and 2 hydro-electric plants having a total installed capacity of more than 2,800 kilowatts.

Van Wert Gas Light Co.

The company supplies gas to over 1,700 consumers in the City of Van Wert, Ohio, serving a population of more than 8,000. The properties include a gas plant with daily capacity of 600,000 cubic feet, and 24 miles of mains.

Summary

Summarizing the above, the operating properties render electric, gas and/or water service to more than 440,000 consumers in 1,000 communities with a population estimated to be in excess of 2,300,000. The steam and hydro-electric power generating stations have a total generating capacity of more than 347,000 horsepower, and there are 3,000 miles of high tension transmission lines. The gas plants have a total daily capacity of 15,285,000 cubic feet which is distributed through 1,079 miles of gas mains.

EARNINGS

The comparative income accounts for the calendar years from 1922 to 1926, inclusive, which follow, show a decided upward trend in both gross earnings and net income available for dividends. The 1926 figures include income from properties acquired during the year only since the date of their acquisition and, therefore, do not reflect the full earning power of all of the properties in the System.

OPERATING CONDITIONS

The large increase in earnings in 1926 over 1925 is due primarily to the increased revenue and operating efficiency of properties previously owned, but the additional income from new properties acquired during the year is also a factor. Centralized administration, group management, and the interconnection with other systems have been important factors in reducing operating costs.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

CONSTRUCTION

The Consolidated Balance Sheet, appended hereto, shows the balance in the account "Plant, Property, Franchises and Cost of Acquiring Capital" at December 31, 1926, as \$231,258,132.70. The new gas plant at Ithaca, N. Y., construction of which was commented upon in the 1925 annual report, was placed in operation early in 1927. The 1925 report also mentioned the two new 15,000 kilowatt generating units then being installed at Staten Island, one of which was placed in operation in 1926 and the other early in 1927. The new Staten Island generating units also required an additional 1,500 horsepower boiler with new stack, the installation of which was practically completed at the close of the year. Other important improvements to the Staten Island property include the new office building at Livingston, Staten Island, completed in 1926, and a large addition to the Arlington substation, construction of which was still under way at the close of the year. The construction of a new substation at Piney, in the Penn Public Group, with a capacity of 12,000 kilowatts, was started during the year.

IMPROVEMENTS IN CAPITAL STRUCTURE

The policy underlying the financing of the Associated Gas and Electric Company received its most substantial expression during the year 1926. The financial management of the Company has long believed it inconsistent with sound finance to sell to customers, or to the investing public generally, preferred stocks of numerous small or medium sized operating companies. The policy of selling its own preferred stocks direct to customers of operating properties instead of the preferred stocks of the operating company which happened to serve the particular locality was, therefore, inaugurated. The adoption of such a policy met with immediate favor on the part of the customers and it developed the fact that customers preferred to purchase the stock of the Associated Gas and Electric Company instead of the stock of some operating company of limited scope which, while a local enterprise, did not embody the factors of diversity of operation and wide market afforded by a company of the size and stability of the Associated Gas and Electric Company.

Similarly, it has not seemed desirable to the management of the Associated Company to put out separate issues of mortgage bonds against the various operating properties, but rather to achieve the added strength from diversity possessed by a large issue which would be a prior claim on the earnings of properties in various localities.

With the help of the company's bankers there was developed a relatively new type of bond which, while not specifically secured by a mortgage lien, possessed all the advantages of a First and Refunding Mortgage except the lien, and, in addition,

ASSOCIATED GAS *and* ELECTRIC SYSTEM

had geographical diversity to the fullest degree. A separate company, called the Associated Electric Company, was created to be the principal vehicle for such financing, and there were issued, under the Indenture which it executed, \$65,000,000 of 5½% 20-Year Convertible Gold Bonds. The proceeds of that issue and other subsequent financing made possible the substantial improvements in the Consolidated Balance Sheet of the Company and subsidiaries during the year 1926. These changes are briefly summarized as follows:

Preferred Stocks of subsidiary and affiliated companies decreased \$9,460,220 or 59.6%; Common Stocks and Applicable Surplus decreased 99.9% from \$6,303,080.52 to \$8,207.43. The total reduction in Preferred and Common Stocks of subsidiary and affiliated companies held by the public during the year was \$15,755,093.09 or 71%.

Similar reductions were made in bonds of subsidiary and affiliated companies as a result of this and other subsequent financing done during 1926. At the end of the year 1925 there were outstanding \$70,862,150 face amount of bonds of operating subsidiary and affiliated properties. At December 31, 1926, this had decreased to \$44,769,600, a total reduction of \$26,092,550 or 37%. The total reduction of mortgages and/or other interest bearing indebtedness, preferred stocks, and common stocks all of which were a prior charge on the individual operating properties was nearly \$42,000,000.

These remarkable changes were not accomplished solely with the proceeds from the sale of the Associated Electric Bonds, as is evident from the additional fact that the assets of the Corporation increased during the period nearly \$47,000,000, or approximately 21%, as compared with the Balance Sheet at December 31, 1925. The net increase in the Capital Stock Account was \$41,882,100.33, some of which increase resulted from conversion of other securities of a similar character into the Preferred Stock of the company.

PUBLIC RELATIONS

The relations between the Associated Gas and Electric properties and the public which is served by them are, in general, highly satisfactory. The management has consistently endeavored to imbue its employees with high ideals of service, and complaints of any kind, even though obviously unjustified, receive prompt attention. No serious criticism has been made anywhere of the quality of the service. The best evidence that consumers generally are satisfied with the service rendered is that over thirty thousand of them are also owners of the Associated Gas and Electric Company securities. Charts which show the geographical and shares-per-stockholder distribution of Associated Gas and Electric Company Preferred and Class A stocks are to be found in this report.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

FUTURE OUTLOOK

So far as human sagacity can foresee, the immediate future for both the electric and gas industries is very bright. It is hoped that the increased use of electric energy, which has been so marked during the last decade, will continue, and there is every good reason to believe that it will be accelerated. Statistics in a recently published report of the United States Department of Commerce show that only 56% of the homes in the United States are electrified, whereas in Switzerland electricity is available in 96.5% of all homes. It is very evident that we are still far from the saturation point of electric energy consumption in this country. The use of gas for fuel and power in its own field, where electric energy cannot economically take its place, is likewise increasing and, with such developments as residential heating and gas fired refrigerators, may show an even higher rate of growth than the use of electricity during the next two or three years. The communities which are served by the Associated System are more progressive than the average and will have more than their proportionate share in the country's advancement with the concomitant increasing demand for electric and gas service.

FINANCIAL CONDITION

The attached condensed consolidated balance sheet of the Company and its subsidiary and affiliated companies as at December 31, 1926, reflects the financial position of the company at that date.

The books of account of the company (as has been the custom for a great many years) have been audited by Messrs. Haskins & Sells, Certified Public Accountants, whose certificate forms part of this report.

Respectfully submitted,

J. I. MANGE,
President.

By Order of the Board of Directors

ASSOCIATED GAS *and* ELECTRIC SYSTEM

ASSOCIATED GAS AND ELECTRIC COMPANY

CONSOLIDATED COMPARATIVE INCOME ACCOUNT OF COMPANY AND SUBSIDIARY
AND AFFILIATED COMPANIES ONLY SINCE DATES OF ACQUISITION

Comparative Income Accounts

	1926	1925	1924	1923	1922
GROSS EARNINGS:					
Electric	\$21,504,148.71	\$14,358,261.14	\$4,496,650.05	\$2,561,156.15	\$1,832,129.60
Gas	2,188,593.13	1,209,817.34	668,857.95	639,569.54	611,756.08
Transportation, Water, Heat and Miscellaneous	4,370,284.09	3,108,809.30	147,109.71	62,631.09	335,787.87
TOTAL	\$28,063,025.93	\$18,676,887.78	\$5,312,617.71	\$3,263,356.78	\$2,779,673.55
OPERATING EXPENSES, MAINTENANCE AND TAXES	15,521,978.16	11,080,384.03	3,497,206.47	2,154,740.43	1,894,339.86
NET EARNINGS	\$12,541,047.77	\$7,596,503.75	\$1,815,411.24	\$1,108,616.35	\$885,333.69
OTHER INCOME	1,220,262.03	774,259.09	345,955.33	213,710.30	76,745.60
GROSS INCOME	\$13,761,309.80	\$8,370,762.84	\$2,161,366.57	\$1,322,326.65	\$962,079.29
LESS FIXED CHARGES AND OTHER DEDUCTIONS OF SUBSIDIARY AND AFFILIATED COMPANIES	5,886,167.19	3,477,743.81	866,195.22	435,665.39	308,214.51
BALANCE	\$7,875,142.61	\$4,893,019.03	\$1,295,171.35	\$886,661.26	\$653,864.78
FIXED CHARGES AND OTHER DEDUCTIONS OF ASSOCIATED COMPANY:					
Interest on Funded Debt.....	1,904,988.85	971,924.71	148,568.46	78,459.40	135,470.45
Interest on Floating Debt	413,517.95	505,322.27	79,486.60	42,698.43	16,153.13
Amortization of Debt Discount and Expense	62,217.00	47,491.92	17,837.10	8,289.88	12,020.88
TOTAL FIXED CHARGES AND OTHER DEDUCTIONS OF ASSOCIATED COMPANY	\$2,380,723.80	\$1,524,738.90	\$245,892.16	\$129,447.71	\$163,644.46
NET INCOME AVAILABLE FOR RENEWALS AND REPLACEMENT RESERVES, DIVIDENDS AND SURPLUS	\$5,494,418.81	\$3,368,280.13	\$1,049,279.19	\$757,213.55	\$490,220.32
LESS: RESERVED FOR RENEWALS AND REPLACEMENTS	1,627,193.10	1,036,112.55	289,414.19	179,822.10	125,046.06
INCOME AVAILABLE FOR DIVIDENDS	\$3,867,225.71	\$2,332,167.58	\$759,865.00	\$577,391.45	\$365,174.26
DIVIDENDS ON PREFERRED STOCK...	1,662,153.57	828,673.77	284,371.75	119,459.09	62,979.47
BALANCE AVAILABLE FOR OTHER DIVIDENDS AND SURPLUS	\$2,205,072.14	\$1,503,493.81	\$475,493.25	\$457,932.36	\$302,194.79
DEDUCT—CLASS A PRIORITY DIVIDENDS OF \$2 PER SHARE	607,760.13	456,496.19			
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SURPLUS	\$1,597,312.01	\$1,046,997.62			

ASSOCIATED GAS *and* ELECTRIC SYSTEM

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
—AND IN—

LONDON, PARIS, BERLIN, SHANGHAI, MANILA
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

37 WEST 39TH STREET
NEW YORK

August 10, 1927.

ASSOCIATED GAS AND ELECTRIC COMPANY,
61 Broadway,
New York.

We have audited the accounts of the Associated Gas and Electric Company for the year ended December 31, 1926, and have been furnished with balance sheets and income accounts of its subsidiary and affiliated companies as of that date whose accounts we have not audited, and certify that the accompanying condensed consolidated balance sheet as at December 31, 1926, and the condensed consolidated income account for the year ended that date are in accord therewith.

Yours truly,

HASKINS & SELLS.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

Condensed Consolidated Income Account for the year ended December 31, 1926

INCOME FOR COMPANIES ACQUIRED DURING THE YEAR IS INCLUDED ONLY
FROM APPROXIMATE DATES OF ACQUISITION TO DECEMBER 31, 1926

OPERATING REVENUE:

Electric	\$21,504,148.71	
Gas	2,188,593.13	
Transportation	2,898,332.71	
Water, Heat, Ice, etc.....	1,471,951.38	
TOTAL		\$28,063,025.93

OPERATING EXPENSES, MAINTENANCE, AND TAXES
(including Companies' Accruals for Federal Income Taxes
for the Year 1926)

15,521,978.16

OPERATING INCOME

\$12,541,047.77

OTHER INCOME

1,220,262.03

GROSS INCOME

\$13,761,309.80

LESS—Fixed Charges and Other Deductions:

Subsidiary and Affiliated Companies:

Interest on Funded and Unfunded Debt (less Interest During Construction)	\$ 4,703,078.01	
Amortization of Debt Discount and Expense.....	270,201.92	
Preferred Stock Dividends.....	606,039.65	
Deduction by Company for Income Applicable to Com- mon Stocks of Subsidiary and Affiliated Companies held by the Public.....	306,847.61	5,886,167.19
Balance		\$ 7,875,142.61

Associated Gas and Electric Company:

Interest on Funded and Unfunded Debt	\$ 2,318,506.80	
Amortization of Debt Discount and Expense.....	62,217.00	
Preferred Stock Dividends.....	1,662,153.57	4,042,877.37

BALANCE

\$ 3,832,265.24

DEDUCT—Provision for Renewals, Replacements and
Retirements (Depreciation)

1,627,193.10

BALANCE

\$ 2,205,072.14

DEDUCT—Class "A" Dividends of \$2.00 per share.....

607,760.13

REMAINDER OF INCOME FOR OTHER DIVIDENDS AND
SURPLUS

\$ 1,597,312.01

ASSOCIATED GAS *and* ELECTRIC SYSTEM

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

Condensed Consolidated Balance Sheet, December 31, 1926

Assets Side

PLANT, PROPERTY, FRANCHISES, AND COST OF ACQUIRING CAPITAL		\$231,258,132.70
UNAMORTIZED DEBT DISCOUNT AND EXPENSE.....		5,400,531.62
INVESTMENTS (Including Investments in and Advances to Affiliated Companies not included in the Consolidation).....		5,049,447.76
<hr/>		
CURRENT ASSETS:		
Cash	\$7,673,481.58	
Funds Loaned on Call	900,000.00	
Special Deposits	473,719.33	
Notes Receivable		\$ 9,047,200.91
Accounts Receivable:		34,512.47
Consumers, less reserve	\$3,083,753.04	
Miscellaneous	1,305,085.40	
		4,388,838.44
Due from Subscribers for Preferred Stocks and for Obligations Convertible into Preferred Stock		2,813,339.55
Due from Subscribers for Option Warrants—Subject to Call—Payable in installments		2,106,414.91
Materials and Supplies		3,164,174.97
TOTAL CURRENT ASSETS		21,554,481.25
SINKING FUNDS FOR RETIREMENT OF BONDS.....		184,215.99
DEFERRED CHARGES:		
Prepaid Expenses	\$ 477,361.97	
Miscellaneous Items in Suspense	438,525.75	
TOTAL DEFERRED CHARGES		915,887.72
TOTAL		<u>\$264,362,697.04</u>

ASSOCIATED GAS *and* ELECTRIC SYSTEM

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

Condensed Consolidated Balance Sheet, December 31, 1926

Liabilities Side

CAPITAL STOCK AND SURPLUS:

Associated Gas and Electric Company:

Preferred Stocks—Stated at Liquidation Values.....	\$42,974,060.00	
Perpetual Debenture Certificates and Obligations Convertible into Preferred Stocks	3,191,550.00	
Class A and B Stocks—Liquidation Values, and Common Stock—Capital and Surplus.....	41,622,407.22	\$87,788,017.22

Subsidiary and Affiliated Companies:

Preferred Stocks	\$ 6,415,200.00	
Common Stocks and Surplus Applicable Thereto.....	8,207.43	6,423,407.43

TOTAL CAPITAL STOCK AND SURPLUS		\$ 94,211,424.65
---------------------------------------	--	------------------

FUNDED DEBT:

Associated Gas and Electric Company:

Secured Gold Bonds:

30-Year 6½ % Series due 1954, Convertible into Preferred Stock	\$ 1,360,900.00*	
30-Year 6 % Series due 1955.....	7,166,700.00*	
Perpetual Debenture Certificates and Bonds Convertible into Preferred Stock	3,654,600.00	\$12,182,200.00

Subsidiary and Affiliated Companies:

Associated Electric Company—Convertible Gold Bonds 5½ % Series due 1946	\$64,999,000.00	
Other Subsidiary Company Bonds.....	44,769,600.00	109,768,600.00

TOTAL FUNDED DEBT		121,950,800.00
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6½ % INTEREST BEARING OPTION WARRANTS (including \$2,190,060.00 subject to call) exchangeable for Preferred Stock or Debenture Certificates Convertible into Preferred Stock.....		9,561,750.00
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PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS.....		1,385,827.00
---	--	--------------

DUE TO AFFILIATED COMPANIES NOT INCLUDED IN THE CONSOLIDATION.....		3,800,595.78
--	--	--------------

CURRENT LIABILITIES:

Notes Payable	\$ 8,097,316.67
Accounts Payable	2,806,616.43

Accrued Accounts:

Dividends, Interest and Miscellaneous	2,811,117.23
Taxes, including Companies' Accruals for Federal Income Taxes for the Year 1926	1,232,918.12

TOTAL CURRENT LIABILITIES		14,947,968.45
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CONSUMERS' DEPOSITS		1,648,526.35
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RESERVES:

Renewals, Replacements, and Retirement of Property.....	\$14,279,659.45
Other Reserves	2,576,145.36

TOTAL RESERVES		16,855,804.81
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TOTAL		\$264,362,697.04
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* Redeemed during 1927.

ASSOCIATED GAS *and* ELECTRIC SYSTEM

Geographical Distribution of Known Security Holders

UNITED STATES

Alabama	10	Louisiana	7	Ohio	253
Arizona	5	Maine	59	Oklahoma	8
Arkansas	4	Maryland	389	Oregon	116
California	1,746	Massachusetts	2,934	Pennsylvania	13,744
Colorado	22	Michigan	92	Rhode Island.....	564
Connecticut	1,053	Minnesota	172	South Carolina	44
Delaware	51	Mississippi	8	South Dakota	18
Dist. of Columbia	85	Missouri	437	Tennessee	444
Florida	52	Montana	13	Texas	51
Georgia	12	Nebraska	7	Utah	234
Idaho	18	Nevada	5	Vermont	83
Illinois	569	New Hampshire.....	782	Virginia	41
Indiana	207	New Jersey	1,140	Washington	226
Iowa	25	New Mexico	4	West Virginia	31
Kansas	7	New York	22,152	Wisconsin	157
Kentucky	1,247	North Carolina.....	4	Wyoming	1
		North Dakota.....	4		
		Total	49,337		

FOREIGN COUNTRIES AND UNITED STATES' POSSESSIONS

Africa	5	France	1	Monaco	2
Alaska	3	Germany	3	Philippine Islands	16
Belgium	1	Hawaii	3	Porto Rico	3
Bermuda	3	Holland	2	Scotland	6
Brazil	1	Ireland	6	Spain	1
Canada	55	Italy	3	Virgin Islands.....	1
England	172	Jamaica	3	Wales	1
		Mexico	1		
		Total	292		
		Grand Total	49,629		

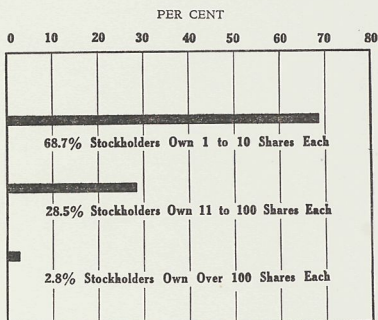
ASSOCIATED GAS *and* ELECTRIC SYSTEM

Chart Showing Share Distribution Per Stockholder

OF

ASSOCIATED GAS AND ELECTRIC COMPANY

PREFERRED AND CLASS A STOCK



AVERAGE HOLDING PER STOCKHOLDER—26 SHARES

MARVIN SCUDDER FINANCIAL LIBRARY
SCHOOL OF BUSINESS
COLUMBIA UNIVERSITY

JAN 27 1928

ASSOCIATED GAS and ELECTRIC COMPANY

*Comparative Condensed Consolidated
Balance Sheet*

JULY, 1927
DECEMBER, 1926



ASSOCIATED GAS AND

AND SUBSIDIARY AND AFFILIATES

Comparative Condensed Consolidated Statement

Assets Side

	July 31, 1927	December 31, 1926	Increase Decrease
CAPITAL ASSETS:			
Plant, Property, Franchises and Cost of Acquiring Capital	\$235,856,909.82	\$231,258,132.70	\$ 4,598,777.12
Unamortized Debt Discount and Expense	7,277,268.61	5,400,531.62	1,876,736.99
Investments (including Investments in and Advances to Affiliated Companies not included in the Consolidation)	39,922,940.10	1,248,851.98	38,674,088.12
TOTAL CAPITAL ASSETS	\$283,057,118.53	\$237,907,516.30	\$ 45,149,602.23
<hr/>			
CURRENT ASSETS:			
Cash	4,779,656.02	7,673,481.58	2,893,825.56
Funds Loaned on Call		900,000.00	900,000.00
Special Deposits	775,663.93	473,719.33	301,944.60
Notes Receivable	24,595.73	34,512.47	9,916.74
Accounts Receivable:			
Consumers, less Reserve	2,701,261.23	3,083,753.04	382,491.81
Miscellaneous	807,503.90	1,305,085.40	497,581.50
Due from Subscribers for Preferred Stock and for Obligations Convertible into Preferred Stock	3,732,237.46	4,919,754.46	1,187,517.00
Materials and Supplies	3,149,998.34	3,164,174.97	14,176.63
TOTAL CURRENT ASSETS	\$ 15,970,916.61	\$ 21,554,481.25	\$ 5,583,564.64
SINKING FUNDS FOR RETIREMENT OF BONDS	61,146.88	184,215.99	123,069.11
DEFERRED CHARGES:			
Prepaid Expenses	\$ 466,857.57	\$ 477,361.97	\$ 10,504.40
Miscellaneous Items in Suspense	801,817.47	438,525.75	363,291.72
TOTAL DEFERRED CHARGES	\$ 1,268,675.04	\$ 915,887.72	\$ 352,787.32
TOTAL	\$300,357,857.06	\$260,562,101.26	\$ 39,795,755.80

D ELECTRIC COMPANY

AFFILIATED COMPANIES

Consolidated Balance Sheet

Liabilities Side

	July 31, 1927	December 31, 1926	Increase Decrease
CAPITAL STOCK AND SURPLUS:			
Preferred Stocks—Stated at Liquidation Value.....	\$ 57,558,200.00	\$ 42,974,060.00	\$ 14,584,140.00
Perpetual Debentures and Obligations Convertible into Preferred Stock by Company	5,597,335.00	7,551,907.50	1,954,572.50
Class A and B Stocks, Liquidation Values, and Common Stock—Capital and Surplus	44,280,772.80	41,622,407.22	2,658,365.58
TOTAL CAPITAL STOCK AND SURPLUS.....	\$107,436,307.80	\$ 92,148,374.72	\$ 15,287,933.08
FUNDED DEBT:			
Secured Gold Bonds:			
30-Year 6½%, Series due 1954, Convertible into Preferred Stock	\$	\$ 1,360,900.00	\$ 1,360,900.00
30-Year 6% Series due 1955.....	.....	7,166,700.00	7,166,700.00
Perpetual Debentures and Bonds Convertible into Preferred Stock	11,228,055.00	6,384,470.00	4,843,585.00
5½% Convertible Gold Debentures due 1977.....	40,000,000.00	.....	40,000,000.00
TOTAL FUNDED DEBT	\$ 51,228,055.00	\$ 14,912,070.00	\$ 36,315,985.00
ASSOCIATED ELECTRIC COMPANY—CONVERTIBLE GOLD BONDS, 5½% SERIES DUE 1946	\$ 60,946,500.00	\$ 64,999,000.00	\$ 4,052,500.00
SUBSIDIARY AND AFFILIATED COMPANIES:			
Preferred Stocks	4,652,820.00	6,415,200.00	1,762,380.00
Common Stocks and Surplus Applicable Thereto	8,544.90	8,207.43	337.47
TOTAL SUBSIDIARY AND AFFILIATED COMPANIES' STOCKS OUTSTANDING	\$ 4,661,364.90	\$ 6,423,407.43	\$ 1,762,042.53
SUNDRY FUNDED DEBT OF SUBSIDIARY COMPANIES.....	38,693,200.00	44,769,600.00	6,076,400.00
PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS.....	2,328,529.00	1,385,827.00	942,702.00
CURRENT LIABILITIES:			
Notes Payable	\$ 10,101,316.77	\$ 8,097,316.67	\$ 2,004,000.10
Accounts Payable	1,086,365.02	2,806,616.43	1,720,251.41
Accrued Accounts:			
Dividends, Interest and Miscellaneous.....	3,750,780.20	2,811,117.23	939,662.97
Taxes, including Companies' Accruals for Federal Income Tax for the year 1926	1,473,780.72	1,232,918.12	240,862.60
TOTAL CURRENT LIABILITIES.....	\$ 16,412,242.71	\$ 14,947,968.45	\$ 1,464,274.26
CONSUMERS' DEPOSITS	\$ 1,780,584.05	\$ 1,648,526.35	\$ 132,057.70
RESERVES:			
Renewals, Replacements and Retirement of Property.....	\$ 12,192,268.91	\$ 14,279,659.45	\$ 2,087,390.54
Other Reserves	4,678,804.69	5,047,667.86	368,863.17
TOTAL RESERVES	\$ 16,871,073.60	\$ 19,327,327.31	\$ 2,456,253.71
TOTAL	\$300,357,857.06	\$260,562,101.26	\$ 39,795,755.80

ASSOCIATED
GAS and ELECTRIC
COMPANY



Annual Report of the Board of Directors
to the Stockholders
for the Year ended December 31, 1927

Organization of the
Associated Gas and Electric Company

(Incorporated under the laws of the State of New York in 1906)

Officers

J. I. MANGE, <i>President</i>	New York
H. C. HOPSON, <i>Vice-President and Treasurer</i>	New York
S. J. MAGEE, <i>Vice-President and General Manager</i>	New York
H. D. FITCH, <i>Vice-President</i>	Bowling Green, Ky.
J. M. DALY, <i>Vice-President</i>	New York
O. E. WASSER, <i>Comptroller and Assistant Secretary-Treasurer</i>	Ithaca, N. Y.
M. C. O'KEEFFE, <i>Secretary and Assistant Treasurer</i>	New York
G. M. MICHEL, <i>Assistant Treasurer</i>	New York

Directors

CHARLES W. BEALL . . . New York Harris, Forbes & Company	HOWARD C. HOPSON . . . New York Vice-President and Treasurer
FREDERICK S. BURROUGHS . New York Harris, Forbes & Company	SANFORD J. MAGEE . . . New York Vice-President and General Manager
JOHN M. DALY . . . New York Vice-President	JOHN I. MANGE . . . New York President
HENRY D. FITCH . . Bowling Green, Ky. Vice-President	FARIS R. RUSSELL . . . New York Vice-President
FREDERICK T. HEPBURN . . . New York F. T. Hepburn & Company	National Bank of Commerce in New York

FINANCIAL OFFICE. 61 Broadway, New York City

PRINCIPAL OFFICE Ithaca, New York

THE J. G. WHITE MANAGEMENT CORPORATION

OPERATING MANAGERS

33 LIBERTY STREET, NEW YORK CITY

Annual Report of the Board of Directors
of
ASSOCIATED GAS AND ELECTRIC COMPANY
TO THE STOCKHOLDERS

For the Year Ended December 31, 1927

TO THE STOCKHOLDERS OF

ASSOCIATED GAS AND ELECTRIC COMPANY:

The Board of Directors herewith submits the annual report for the year ended December 31, 1927, with statement of income for the year and balance sheet showing the financial condition at the close of the year.

FOREWORD

THE ASSOCIATED GAS AND ELECTRIC SYSTEM had its inception with the establishment of the Ithaca Gas Light Company in Ithaca, New York, in 1852. This was an isolated company for over fifty years, when its owners became interested in and secured control of, several other electric and gas properties in the south central part of New York State. The group of properties thus united in a common ownership came to be known as "The Associated Gas and Electric Companies," and these properties formed the nucleus around which the Associated Gas and Electric System has grown. The Original Associated Companies are still part of the Associated System. In 1906 the owners of these properties organized the Associated Gas and Electric Company under the laws of New York State. The Associated Companies were thus among the earliest public utility companies in the country to adopt centralized management.

PROPERTIES AND TERRITORY SERVED

The two principal units of the Associated System are the Associated Gas and Electric Company and the New England Gas and Electric Association. The public utility properties, of which substantially 100% actual ownership is held within the System, are grouped, for administrative convenience, as follows:

New York State
Staten Island (New York)
Maritime Provinces (Canada)
Kentucky-Tennessee

Long Island (New York)
Pennsylvania
New England
Gas Utilities

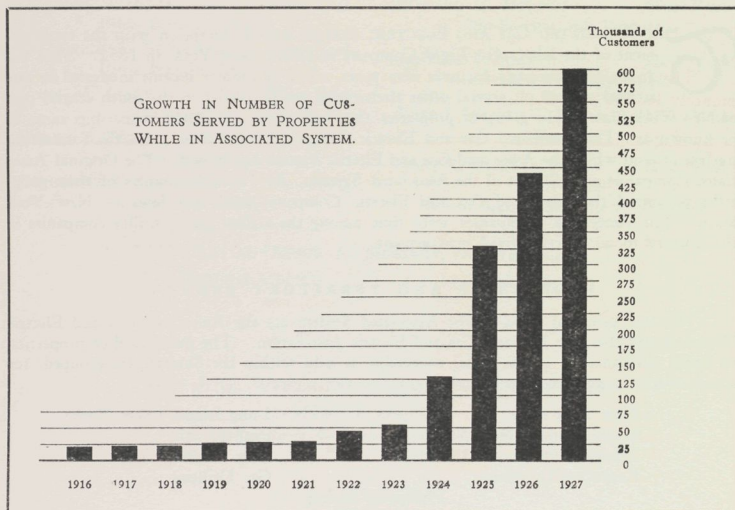
Philippine Islands

ASSOCIATED GAS and ELECTRIC SYSTEM

These properties provide electric light and power, gas, water, and transportation service to over 600,000 customers in territories having a population in excess of 2,700,000. The territories served include more than 1,000 communities located in the States of New York, Pennsylvania, Maryland, Massachusetts, Maine, New Hampshire, Vermont, Connecticut, Kentucky, Tennessee, Ohio, Illinois, Indiana, and South Dakota. A number of communities in Nova Scotia, New Brunswick, and Prince Edward Island in the Maritime Provinces of Canada are also served and an important unit in the System is the group which renders electric power and light and transportation service in the City and suburbs of Manila and elsewhere in the Philippine Islands.

The extended territory in which service is rendered gives a notable diversification not only in geographical distribution but also as to classes of population and kinds of service. It includes well-established industrial and residential cities, rural communities, and summer resorts. The industrial demand is from widely different sources such as mining, manufacturing, and agriculture. This diversity, both in territory served and in nature of service, has always had a stabilizing effect upon the business and the earnings of the System.

The following chart shows the number of consumers served by the properties of the Associated System at the close of each of the years 1916 to 1927. The consumers of acquired properties are first included in the year the property was acquired.

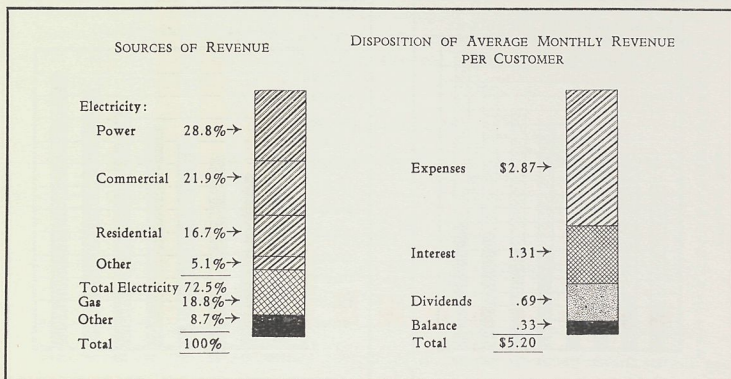


ASSOCIATED GAS and ELECTRIC SYSTEM

The most recent comparative earnings statement available (in the form in which it is published each month), is given below for twelve months ended May 31, 1928 and 1927:

	1928	1927	Increase Amount	%
Gross Earnings and Other Income.....	\$42,006,909	\$31,831,775	\$10,175,134	32
Operating Expenses, Maintenance, all Taxes, etc.....	23,839,007	17,163,967	6,675,040	39
Net Earnings	18,167,902	14,667,808	3,500,094	24
Preferred Dividends of Underlying Companies and All Interest	10,051,175	8,231,756	1,819,419	22
Balance for Dividends and Depreciation.....	8,116,727	6,436,052	1,680,675	26
Provision for Replacements, Renewals, and Retirement of Fixed Capital (Depreciation).....	2,014,835	1,710,891	303,944	18
Balance for Dividends and Surplus.....	6,101,892	4,725,161	1,376,731	29

The following charts show the sources of revenue and the disposition of the average monthly revenue per customer:



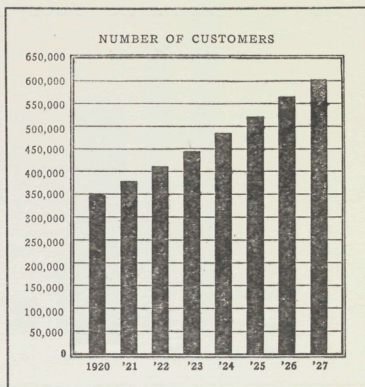
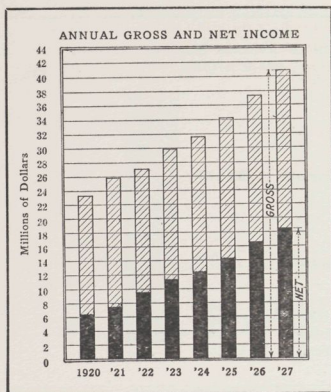
ASSOCIATED GAS and ELECTRIC SYSTEM

GROWTH OF BUSINESS

The business done by the combined operating units of the Associated Gas and Electric System has shown at all times a rapid and remarkably constant growth. A statement showing earnings and other statistics of all properties now comprising the Associated Gas and Electric System, including the New England Gas and Electric Association Group, and irrespective of the dates when they were first included as part of the System, is shown below:

December 31	Annual Income		Sales K.W.H.	Number of Customers	
	Gross	Net		Electric	Gas, Water, etc.
1920.....	\$23,315,011	\$ 6,457,680	323,942,577	171,610	177,184
1921.....	25,864,850	7,452,519	312,949,728	195,342	183,841
1922.....	27,101,259	9,552,373	362,740,051	221,257	190,358
1923.....	29,920,919	11,384,101	436,143,206	250,603	195,586
1924.....	31,626,399	12,357,575	477,918,719	284,530	202,067
1925.....	34,103,785	14,333,047	556,294,890	313,217	209,629
1926.....	37,423,008	16,618,149	650,516,875	344,218	220,949
1927.....	40,958,873	18,561,732	707,749,409	375,318	226,763

The following charts show graphically the growth in annual gross and net earnings and the number of customers of properties in the Associated System, irrespective of the dates of acquisition, from 1920 to 1927, as set forth in the above tabulation.



ASSOCIATED GAS and ELECTRIC SYSTEM

ACQUISITIONS DURING YEAR

During the past year, the Associated Gas and Electric Company acquired through subsidiaries several properties which were near those already owned and which could be advantageously operated in connection therewith. These purchases did not include any particularly large additions. They were for the most part comparatively small properties in territories adjacent to those of the Pennsylvania, Kentucky-Tennessee, and New York groups. Such acquisitions have materially aided the process of consolidation and unification in those territories, with resulting gains in net earnings immediately or in prospect of early realization.

NEW ENGLAND GAS AND ELECTRIC ASSOCIATION

A noteworthy accession to the Associated System during the year was the inclusion of the New England Gas and Electric Association. This is a Massachusetts voluntary association, formed under a Declaration of Trust dated December 31, 1926, which owns very nearly 100% of the stock of Cambridge Electric Light Company, Cambridge Gas Light Company, Worcester Gas Light Company, and the entire capital stock of Cape and Vineyard Electric Company, New Hampshire Gas and Electric Company (formerly Portsmouth Power Company), and Middlesex County Electric Company. The last three corporations named were included in the "New England group" of operating properties in the report for 1926 but have since been transferred to the New England Gas and Electric Association.

The above mentioned operating subsidiaries of the New England Gas and Electric Association distribute gas and electric service to a territory having a population of approximately 500,000 in 90 communities, of which the most important are Cambridge and Worcester, Massachusetts, and Portsmouth, New Hampshire.

The New England Gas and Electric Association is owned and controlled by interests affiliated with the Associated Gas and Electric Company. While the Association is not owned or controlled by the Associated Gas and Electric Company or its subsidiaries, the Trustees of the Association have established and maintain close contact in operation and management with the Associated Company Group, in order that the former may also receive the advantages of group management.

CONSTRUCTION

The more important construction projects completed in 1927 were the following:

Pennsylvania Group

Additional 25,000 horse power steam turbine in the Erie plant.

Installation of the third hydro-electric unit, 12,000 horse power, in the Piney station.

Completion of a new warehouse and garage in Erie.

New 110,000 volt transmission line, 40 miles long, between Glory and Philipsburg.

A ten inch gas line in Johnstown constructed to improve pressure conditions for gas distribution in the Johnstown territory and to supply gas to the Lorain Steel Works.

ASSOCIATED GAS and ELECTRIC SYSTEM

New York Group

Additional 25,000 horse power steam turbine and also a 1,385 horse power boiler in the Staten Island plant.

Completion of a new gas plant for Ithaca.

A new 44,000 volt transmission line, 40 miles long, connecting the Colliers plant with Richfield Springs.

New England Group

A new 22,000 volt transmission line, 20 miles long, from the sub-station at Bourne to Hyannis along the north shore of Cape Cod and the Buzzards Bay Canal.

A new 33,000 volt transmission line from the Portsmouth generating station to the Massachusetts state line, to connect with the distribution lines of the Amesbury Electric Light Company, serving Amesbury, Massachusetts. It is 16 miles long.

Maritime (Canada) Group

Installation of a new 1,500 horse power steam turbine and a 500 horse power boiler in the Fredericton, New Brunswick, plant.

In addition there were throughout the system numerous other extensions of and connections to existing lines, and other large expenditures for miscellaneous extensions and additions, including poles, wire, mains, meters, transformers, etc.

The capital assets, as shown by the attached consolidated balance sheet of the Associated Gas and Electric Company and subsidiary and affiliated companies in the accounts "Plant, Property, Franchises, and Cost of Acquiring Capital" and "Investments in Affiliated Companies" amounted to \$295,270,066.33 at December 31, 1927.

OPERATIONS

A condensed comparative consolidated income statement showing the operating results of the Company and subsidiaries for the calendar years 1927 and 1926, is shown below:

	Year Ended December 31		Increase	
	1927	1926	Amount	%
Gross Earnings (including Other Income).....	\$35,296,741.19	\$29,283,287.96	\$6,013,453.23	21
Operating Expenses, Maintenance, all Taxes, etc.....	18,264,654.74	15,521,978.16	2,742,676.58	18
Net Earnings	17,032,086.45	13,761,309.80	3,270,776.65	24
Fixed Charges and Other Deductions from Income:				
Subsidiary and Affiliated Companies.....	5,650,613.48	5,615,965.27	34,648.21	1
Associated Gas and Electric Company.....	3,424,089.47	2,318,506.80	1,105,582.67	48
Total Fixed Charges and Other Deductions from Income	9,074,702.95	7,934,472.07	1,140,230.88	14
Net Income Available for Renewals and Replacements Reserve, Dividends, and Surplus.....	7,957,383.50	5,826,837.73	2,130,545.77	37
Dividends on Preferred Stock.....	3,453,507.02	1,662,153.57	1,791,353.45	108
Balance	4,503,876.48	4,164,684.16	339,192.32	8
Provision for Renewals, Replacements, and Retirements of Fixed Capital (Depreciation)	1,698,731.00	1,627,193.10	71,537.90	4
Balance Available for Class A and Other Dividends and Surplus	2,805,145.48	2,537,491.06	267,654.42	11

ASSOCIATED GAS and ELECTRIC SYSTEM

As shown in the foregoing statement, 1927 was a very successful year for your Company. Gross earnings increased \$6,013,453.23 or 21 per cent over those of 1926, and after deduction of operating expenses, maintenance, and taxes, the net earnings available for fixed charges showed an increase of \$3,270,776.65 or 24 per cent over the year 1926. After the deduction of fixed charges of Parent and Subsidiary Companies (including all interest and dividends on subsidiary preferred stocks), the net income available for renewals and replacements reserve, dividends on capital stocks of the Associated Gas and Electric Company, and surplus, showed an increase of \$2,130,545.77, or 37 per cent over 1926. After the deduction of dividends on preferred stock and provision for renewals and replacements, the earnings available for other dividends and surplus for the year amounted to \$2,805,145.48.

The electric department, as in previous years, contributed the greater portion of gross earnings, approximately 73 per cent for the year 1927. Detailed income statements are included in a succeeding section of this report.

EMPLOYEES' STOCK INVESTMENT AND SAVINGS PLAN

The management early in 1927 developed the idea of establishing a Stock Investment and Savings Plan for the benefit of the employees of the Associated Gas and Electric System. Provision was made that all employees of the Company and subsidiary and affiliated organizations, might subscribe for Class A Stock at the approximate current market price, for which payment might be made only by deductions from the employee's compensation at the rate of one dollar per month for each share subscribed, with the addition by the Company of one dollar for each three dollars paid in by the subscribing employee. The maximum amount of stock for which any employee may subscribe is fixed with relation to his current rate of pay in such a way that at the price per share of the initial offer the monthly deduction from his pay could not exceed ten per cent of his total compensation for the month. Interest on the balances credited to each employee, pending the accumulation of an amount sufficient to purchase at least one full share for the employee's account, is paid annually at the rate of 5 per cent per annum.

The above plan was placed in operation in May, 1927, and at the close of the year approximately 87% of all eligible employees had subscribed to a total of over 51,000 shares, having an aggregate value at present market quotation of nearly \$2,500,000.

PUBLIC RELATIONS

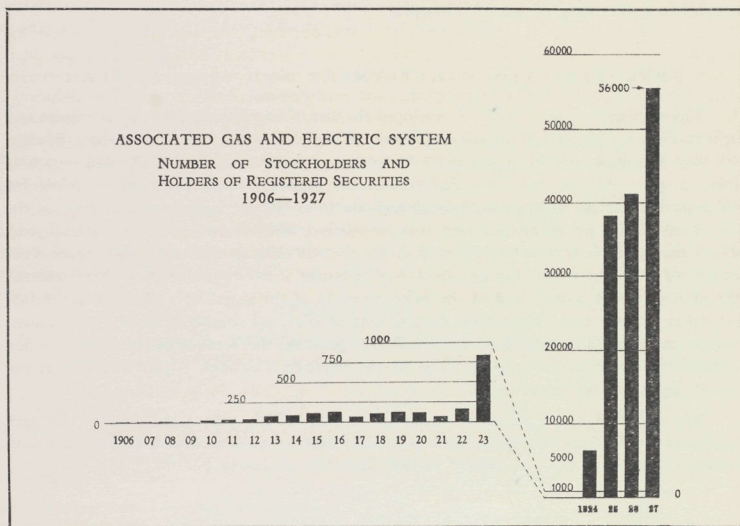
The relations of the Associated System properties with the public served are satisfactory. The properties have always been maintained at a high degree of efficiency, in order that the best possible service could be given the consumers. During the year a considerable expenditure was made for bettering connections between existing lines and systems and for improving the facilities of the various plants. These improvements, resulting in greater efficiency for the various properties of the System, help to maintain good will between the Associated System and the public served by it.

ASSOCIATED GAS and ELECTRIC SYSTEM

SHAREHOLDERS

Further evidence of the satisfactory relations with consumers is indicated by the results of the Customer Ownership campaigns carried on during the past year for the sale of securities of the Associated Gas and Electric Company. Preferred stocks were sold in the several operating districts during the early part of 1927, and Convertible Debenture obligations during the greater portion of the year. The campaigns carried on for the sale of these securities were very successful, resulting in the addition of 12,000 customer investors during the year, making a total of 36,000 customer owners.

The following chart graphically shows the growth in the number of shareholders since the organization of the Company, and in more marked form the increase since the policy of the present management which was instituted in 1923, of enlarging the Company and distributing its securities among a large number of investors.



FINANCING

At the date of writing this report your Company has nearly completed another stage in a comprehensive plan which was initiated in November, 1927, for improving and simplifying its capital structure. The enormous capital investment of public utility enterprises and the huge increase each year in the demand for new capital to supply the needs of the rapidly growing light and power industry create a financial problem of the first magnitude. This seems an opportune time to review the methods by which the Associated System has met its particular problem, with some indication of its plans for the future.

ASSOCIATED GAS and ELECTRIC SYSTEM

Principles of Associated Financing

The financial policy of the Associated management has been characterized by a radical departure from the practice that had hitherto prevailed among nearly all the large public utility groups. This practice was based on the theory that loan financing, that is, the issue of bonds or other long term obligations, whether secured or unsecured, should be confined to obligations of the local operating units. The central financing company, commonly called the "Parent" company, usually in the earlier stage of group management issued only its common stock backed by its holdings of equity interests in the local companies. Later, as the demands for new capital became more insistent, the parent company issued preferred stock but generally tried to avoid incurring any debt except as a last resort. As a result of this policy the local operating properties of many public utility groups came to be covered to the limit with mortgage bonds, debentures, and preferred stock, with the parent company often holding only a bare majority of the voting common stock.

Under such conditions the securities of the local operating company, which were then the principal source of capital funds, usually could find their market only in the comparatively small community which the operating company served. The parent company might issue preferred stock of its own to be absorbed by the general financial markets of the country, but because of the slender equity which it too often represented, this stock was generally put out only at a large discount, and with a wide spread for selling costs and for profit to cover the marketing risk of the stock dealers. The common stocks of such public utility investment companies were usually considered highly speculative and in some cases sold for not more than five times the earnings reported as applicable to them.

That such a policy had its weakness became very evident during the trying period of war changes from 1917 to 1921. Notwithstanding the fundamental soundness of the light and power industry it seemed for a time that it would require (but for very different reasons) as drastic and long drawn out a period of financial readjustment as that from which the railroads were then suffering.

Management Cleared Away Old Financial Structure

The Associated management was one of the first to perceive the possibilities that lay in a different financial plan. The essence of this plan was the restriction to the minimum of the issue of underlying bonds and preferred stocks of local operating companies and the building up in every possible way of the credit of the parent company to a point where it could obtain all the new money needed for its operating properties, whether by loan or share capital, through the issuance of its own securities.

In 1921 the Associated Gas and Electric Company came under its present financial management. This management was resolved to put into effect the financial policy described above, but was unable to do so immediately because of the existing financial structure and the, perhaps, ultra-conservative attitude of its bankers at that time. In fact, the first move made by the new management in its effort to break the shackles of financial tradition was a step in a direction contrary to the policy described above in which, nevertheless, the management was convinced, lay ultimately the best possibilities for the free development of the industry.

This first step was necessitated by the fact that your Company at that time controlled a group of comparatively small utility corporations, none of which had sufficient credit to permit the successful marketing of its own bonds or stocks. Each of these small operating

ASSOCIATED GAS and ELECTRIC SYSTEM

units had a mortgage on its own plant and property, and the bonds secured by such mortgages had been gathered together and deposited under a Collateral Trust Mortgage which in turn secured bonds in the hands of the public.

The Collateral Trust Mortgage was drawn for bankers who had incorporated in the Indenture as many limitations and restrictions as the borrowing corporation would accept, with the sole purpose of enhancing the security and, hence, the salability of the Collateral Trust bonds issued thereunder, but with little thought to the future needs of the Company in raising new capital to meet demands for additional or extended service. Such demands in 1922, just after the abnormal conditions created by the Great War, were very heavy. To meet them the Company had recourse, in the first instance, to the public marketing of bonds secured directly by the strongest of its then owned underlying properties, the present New York State Electric Corporation.

Because of the Company's low earnings and the relatively poor credit and reputation, which, in common with many other public utility companies, it then had, no other means of raising the capital necessary for expansion seemed possible at the time, and such expansion in turn seemed to be the only way of enabling the company to rid itself of the restrictive Collateral Trust Mortgage which was throttling it and preventing its natural development.

The proceeds of the New York State company mortgage bonds were used in building up the property with resulting increased earnings. This increase soon permitted a second issue of such bonds, the proceeds of which were used to call and redeem the Collateral Trust bonds, thereby releasing all the properties from the restrictions of the Collateral Trust Indenture.

First Step in Financial Policy

As soon as the old Collateral Trust Mortgage Bonds were called, the credit of the Parent Company improved tremendously. This action thus made possible the first permanent step toward putting into effect the new financial policy of the Associated Gas and Electric System which has since been consistently followed and developed.

This step was the sale of Associated Gas and Electric Company Preferred Stock to the customers of the various operating companies. That first issue of Parent Company preferred stock is now known as the Original Series Preferred Stock, with a liquidation or preference value of \$50 per share callable at \$60, paying dividends of \$3.50 annually, equivalent to a rate of 7% per annum on the preference or liquidation value. Beginning with that issue practically no financing, except of a temporary nature, has been done with securities of the local operating companies which make up the Associated System.

All the requirements of the great expansion that has taken place since the first issue of Original Series Preferred Stock have been met principally through Parent Company issues of various types. Because, however, this policy was new, the management felt that it should not rely entirely on its own judgment as to its soundness and practicability but should keep in a position where it would be able to resort to the older and customary, though fundamentally less sound and satisfactory, plan, of financing through underlying operating company securities, if that should become necessary. There has, therefore, been kept ready for offering at all times, if emergency should arise, a large amount of bonds secured by direct mortgage lien on the various operating properties.

To this end there was created the First and Refunding Mortgage of Kentucky-Tennessee Light and Power Company about the time the Associated Gas and Electric Original Series Preferred Stock was put on the market. Similar indentures, authorizations, and approvals have

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been obtained, where required by law, from the regulatory commissions of New York and other states, for substantial amounts of mortgage bonds of many other operating companies which have never been actually issued for distribution to the public.

The first major financing undertaken after the policy of issuing only Parent Company securities had been definitely adopted, was the offering of \$3,500,000 Secured Gold Bonds bearing 6½% interest which were sold to the public at about 95. The comparatively high interest rate was due in part to lack of confidence of security dealers in the new policy of Parent Company financing. The management, however, felt certain that its policy was sound and that a lower rate of interest could be realized in subsequent financing.

Within a short time numerous opportunities for growth through acquisition and extensions offered themselves, which the Company was able to take advantage of through the rapid improvement of its credit. The amount raised by that issue consequently was found to be insufficient for the rapidly expanding needs of the Company. Accordingly a new issue of \$14,000,000 similarly secured but bearing only 6% interest was successfully offered and sold to the public at the same price—about 95. With such improvement in its credit, the Company also found it advantageous to retire the \$3,500,000 issue of 6½s on January 1, 1927, although it was not due until 1955.

“Over-all” Earnings Limitation

A notable feature of the Indenture securing these two issues of bonds, which is worthy of more extended discussion than is possible within the limits of this report, was that for the first time it gave reasonably complete recognition to the logical method of framing earnings restrictions when the indenture applies to security issues of investment or holding companies controlling one or more subsidiary corporations. Investment bankers in testing the intrinsic worth of security issues by such corporations, apply the so-called “over-all” test, that is, they compare the total consolidated net earnings applicable to all interest charges with the total interest charges on the proposed issue and all interest and dividends ranking senior.

While this test has been in general use by investment bankers to aid them in forming their own individual opinions as to the relative merits of securities, it had become the almost universal custom in published descriptions of securities, and in the clauses of their indentures which specifies the earnings rule to limit the issue, to use the so-called “times after” basis—that is, to compare the amount of consolidated net earnings remaining after deducting prior fixed charges, with the interest requirements of the particular issue and to state how many times such interest was earned.

It is now generally conceded that the “over-all” comparison gives the only sound basis for determining the true merits of an investment issue. The indenture for these Associated issues was, it is believed, the first to make this test, using the relation of the consolidated earnings to the consolidated debt charges, an essential feature of its restricting clauses.

Growth of System and Relation to Financing

By this time the credit of what had become widely known as the Associated System was advanced so far that the management was able to enlist the support and active cooperation of a banking group with strong and far-reaching affiliations, larger than any with which it had previously been associated. This banking group which is now the sponsor for the debt financing of the Associated System is headed by Harris, Forbes & Co.

ASSOCIATED GAS and ELECTRIC SYSTEM

With its financial plans successfully developing, and its credit steadily improving, the Associated System constantly acquired new properties until it became one of the country's larger light and power groups. While this process of unification went on the business of the individual properties expanded with the increase in the population and demands for service in their respective territories.

Largest Bond Issue

The development of the System, however, made evident the necessity for consolidating as well as refunding numerous obligations. The next important financial step, therefore, was the issue of \$65,000,000 Associated Electric Company 5½% Convertible Gold Bonds which were sold to the public at 95¼. The offering was an outstanding achievement in the history of public utility financing. It still remains the largest single offering of debenture bonds ever sold by any light and power enterprise in the world.

The sale of the 5½% Debentures marked an important advance over the marketing of the previous issue of \$14,000,000 6% bonds, and the still earlier issue of \$3,500,000 6½% bonds, all at approximately the same price to the public, about 95. However, even this \$65,000,000 issue proved to be merely an intermediate step toward the desired financial position, where the basic issues of the System's financial structure would be permanent, and of a nature giving reasonable certainty that they would not have to be called and redeemed or otherwise retired within a comparatively short time after their issue.

The indenture for the Associated Electric Debentures likewise measured the earnings and amount of bonds which might be issued and the charges against them, by the so-called "over-all" rule.

In addition it contained a further improvement from the standpoint of safe and conservative financing which had not theretofore appeared in any debenture indenture, in that it contained a limitation upon the amount of underlying or prior debt and stocks as compared with the amount of debt issuable under the Indenture itself.

With these two principles established the investor has before him a method of ready and easy comparison between apparently similar issues to determine their investment merit from the standpoint of earnings and rank. A more extended description of this issue, for those interested, may be found in the 1926 report of Associated Electric Company.

The next major piece of financing looking toward a permanent financial structure was the issue of \$40,000,000 Associated Gas and Electric Company 5½% Convertible Gold Debentures due 1977, unsecured and unrestricted. Although these debentures are in some important respects junior to the Convertible 5½s of Associated Electric Company, it soon became evident that the later issue due 1977 was equally attractive to investors, undoubtedly because it is the direct obligation of the better known Associated Gas and Electric Company, the Parent Company itself.

The convertible feature of the 5½s of 1977 was also largely responsible for their popularity with investors, but this obviously depended upon the attractiveness of the junior or equity securities into which they were convertible.

Building Up the Equity

A cardinal point in the management's financial policy has been the effort to build up, maintain, and extend the equity financing in proportion as the debt increased, thereby increasing the equity behind the long term debt. Originally the Associated Gas and Electric Company had only Common and Preferred stock. In 1925 the Common stock was divided into "Class A" and "Class B" stock, and later the "Class B" was further subdivided into "Class

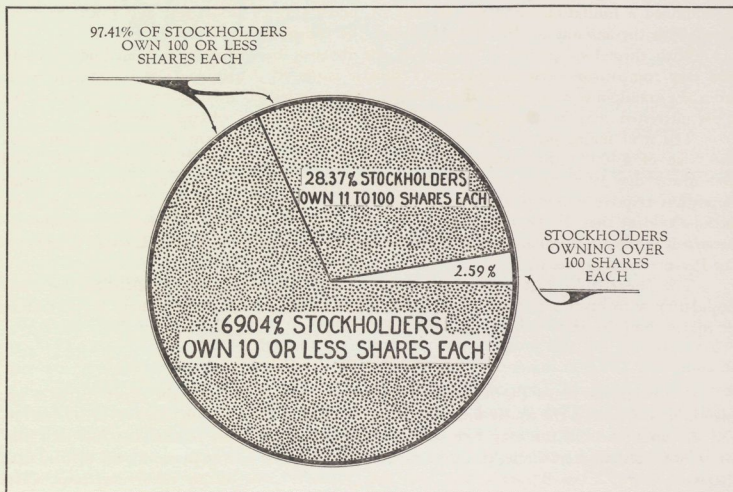
ASSOCIATED GAS and ELECTRIC SYSTEM

B" and Common. These issues, with their carefully graded rights to share in the general prosperity of the Company, permit of junior financing which appeals to all classes of investors. Two hundred thousand shares of the then new "Class A" stock were originally marketed through a group of investment bankers. Thereafter this was increased through stock dividends and sales directly by the Company to consumers and others to about 400,000 shares by the early part of 1927.

The Class A stock was originally offered at \$26 a share. The growth of the light and power industry and the confidence of the investing public in the financial policy of the Associated System have been evidenced by the gradual rise in the market value of the stock to a maximum price of over \$52 per share, and, at the date of writing this report, to about \$48 per share.

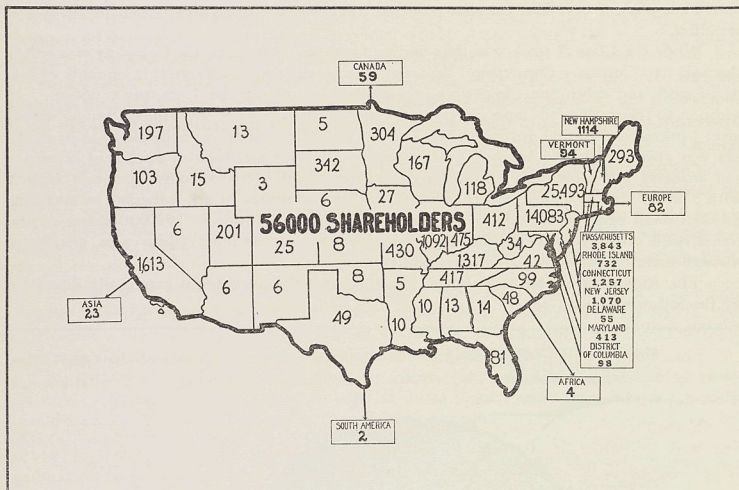
While the Class A stock was thus finding favor with investors, the Company was selling through its "Customer Ownership" department to its customers, considerable amounts of preferred stock and debentures convertible into preferred stock at the Company's option. In addition to these sales and, more or less as a result of them, interest was aroused among investment bankers in the rapid growth of the Company and the confidence of the public in its securities was greatly enhanced when it became apparent that the management's policy of expansion and financing was sound and was meeting the approval of investors, offering a safe security with a wider market than securities of many similar enterprises which persisted in financing through small issues of underlying securities. This led to an issue of 100,000 shares of preferred stock carrying a preferential dividend of \$6.50 per annum, which was distributed through security dealers all over the country.

The wide distribution of holdings resulting from the foregoing is graphically illustrated by the following chart:



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That the shareholders of the Associated System are not residents alone of the financial sections of the eastern states nor of the territories served by the System is graphically illustrated in the following map which shows the shareholders by states throughout the United States, as well as the number of holders in foreign countries, indicating a wide geographical distribution. Many hundreds of foreign holders also, of course, keep their holdings in the names of domestic banks and bankers. A tabulation of the geographical distribution of shareholders appears on the last page.



Permanent Financial Structure

The early part of 1927 may be said to mark the beginning of the program for the permanent financial structure of the Associated System, which, when completed, it is hoped will endure, at least in its general outline, for a great many years to come. The preliminary step toward carrying out this program was the marketing through bankers in February, 1927, of an additional 100,000 shares of Class A stock. The purpose of the offering was not primarily the raising of additional capital—about \$4,000,000 was derived therefrom—but chiefly to bring the Class A stock to the attention of a greater number of prospective investors in this class of securities. The sale of the 100,000 shares of Class A stock which was carried out successfully, brought the total amount of this stock outstanding up to 500,000 shares.

ASSOCIATED GAS and ELECTRIC SYSTEM

By the summer of 1927 all was in readiness for the final steps in the process of consolidating the System's security issues and further simplifying the financial structure which was begun in the fall of 1927 and is now just drawing to a successful conclusion. The first of these was an offering to Company security holders of 200,000 additional shares of Class A stock, which brought the total amount of such stock outstanding up to 700,000 shares. The response to this offering was most gratifying as the stock was quickly oversubscribed. The success of this offering demonstrated the favorable opinion of their investment held by the Company's own security holders.

The second step in this financial program was the issue through the Company's bankers of \$20,000,000 Associated Electric $4\frac{1}{2}\%$ bonds at $94\frac{1}{4}$. These bonds were on a parity with the first Associated Electric Convertible bonds which bore the coupon rate of $5\frac{1}{2}\%$ and had been put out at $95\frac{1}{4}$. The great decrease in the cost of capital to the borrowing Company is due in some measure to the difference in the general market for such securities between the two dates, but to a greater extent it represents the enhanced credit of the Associated System.

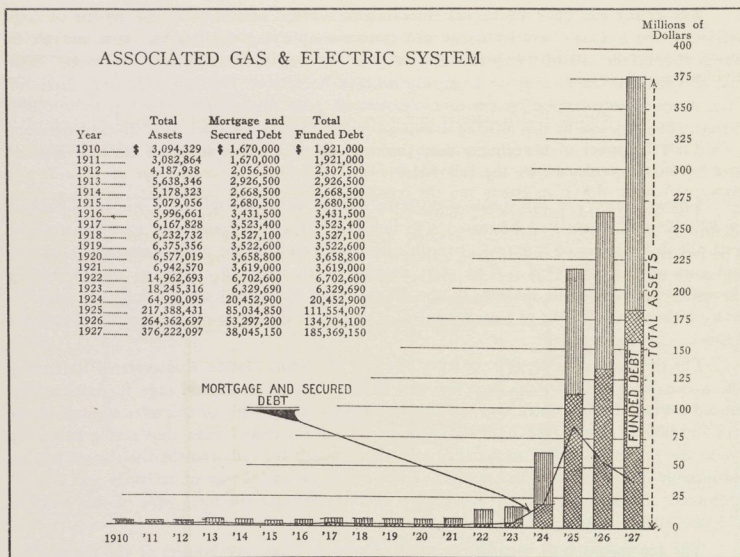
The third step was a public offering of Gold Debenture Bonds, Consolidated Refunding 5% Series due 1968, of Associated Gas and Electric Company, in exchange for outstanding funded debt of the Associated Gas and Electric System. As a result of this offer approximately \$32,500,000 of underlying securities were exchanged for these bonds, thus saving to a large extent the expenses incident to a public sale of the bonds for cash and the use thereof for the redemption of the underlying securities. The bonds issued by way of exchange and a small additional amount sold to the Company's bankers brought the total issue of this series to \$35,000,000.

The fourth step was the offering to the Company's security holders of the Convertible $4\frac{1}{2}\%$ Gold Debentures due 1948, which was oversubscribed immediately. The total amount of bonds of this issue was \$63,000,000.

At the time the Consolidated Refunding 5% Bonds of Associated Gas and Electric Company were authorized, it was expected that this issue, together with the Convertible $4\frac{1}{2}\%$ Debentures, would be used as a vehicle for the completion of the consolidation and refunding of the outstanding funded debt of the Associated Gas and Electric System. The improvement in the Company's financial structure as a result of these issues was so obvious, however, and the enhancement of its credit was so immediate, that the management concluded that the remainder of the program could be accomplished through the medium of a $4\frac{1}{2}\%$ Series of Consolidated Refunding Bonds. Accordingly, the Board of Directors authorized a $4\frac{1}{2}\%$ Series, due 1958, which are now being offered in exchange for outstanding securities of the System senior thereto. It is believed when the cost of money resumes its generally expected lower trend, that an issue of approximately \$50,000,000 of this series will complete the financial plans of the management as at present developed.

The decrease in the amount of mortgage and secured debt resulting from the financial policy followed is clearly illustrated in the following chart, showing its very pronounced relative and actual downward tendency since 1925. The chart also shows graphically the sound relationship of the total funded debt to total assets, proper relationship of these being most essential to a good financial structure.

ASSOCIATED GAS and ELECTRIC SYSTEM



Financial Structure—Recapitulation

When this final step has been taken and the perpetual debentures converted into stocks, the financial structure of your Company will have the following form:

1. Junior stocks—Class A, B, and Common.
2. Preferred stocks—All with equal rights except as to rate of dividends.
3. 5½% Convertible Gold Debentures due 1977, which are being converted into Class A and Common stock.
4. 5% Consolidated and Refunding bonds due 1968.
5. 4½% Consolidated and Refunding bonds due 1958.
6. 4½% Convertible Gold Debentures due 1948.
7. Associated Electric Company Gold Bonds 4½% Series due 1953.
8. A few non-callable underlying issues which either mature or become callable within a comparatively few years and/or which may be called for redemption from time to time.

The earliest maturity for any of the above debt issues (excluding the small underlying issues referred to in the 8th classification) is 1948. As far as can be foreseen at this time, the bonds now outstanding or to be issued under the indentures securing the long term debt described in the preceding paragraph or similar issues will, for a long time to come, provide adequately for such part of the Associated System's capital requirements as good financial judgment suggests should be met by borrowing money.

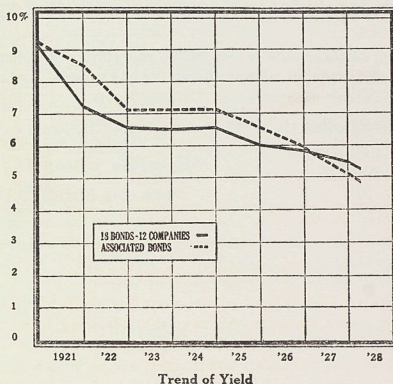
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The extent to which additional stock can be issued is limited, of course, by the earnings of the System. These have been, and give prospect of continuing to be, large enough to insure as favorable markets as heretofore for both the dividend paying and the, as yet, non-dividend paying stock.

Financial Policy Results in Lowering Costs of Borrowed Capital

That the policy of financing wholly through parent company securities has been justified in its results is evidenced by the following chart which gives a comparison of yield trends between Associated System bonds and the bonds of a dozen other large public utility groups.

The downward tendency of both curves also illustrates the improvement in credit conditions during the period, for business generally and for public utilities in particular. The fact that Associated bonds have since early in 1927 been selling on a yield basis decreasing more rapidly than that for the average of other similar bonds, is the best indication of the success of your Company's financial policies.



Trend of Yield
Interest return on all Associated bonds compared with the average of all the bonds of the twelve largest similar enterprises.

The most obvious next step to consider is the possibility of substituting for the present outstanding preferred shares, securities carrying a lower charge against earnings. The preferred shares, all of equal rank, now include shares which carry preferential dividends of \$3.50 on shares with a preferential value of \$50, redeemable at \$60; and shares which carry preferential dividends of \$7.00, \$6.50, and \$6.00 on shares with a preferential value of \$100, redeemable at \$105. It now seems probable that, with the present credit of the Company and, perhaps, by taking advantage of a slight further reduction in the cost of long term capital which appears to be ultimately in prospect, all these preferred stocks can be redeemed and the necessary refunding capital obtained by securities having no greater preference in their claim on earnings than the preferred stock now outstanding, but with a fixed charge of not much over five per cent on the money thus procured. If and when this is accomplished the resulting balance of earnings for the Class A and Common stocks will, of course, be considerably increased.

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Financial Condition and Comparative Financial Statements

The books of account of the Company (as has been customary for many years heretofore) have been audited by Messrs. Haskins & Sells, Certified Public Accountants, whose certificate is appended hereto as part of this report.

Immediately following the Certificate are set forth the condensed consolidated income account of the Company and its subsidiary and affiliated companies for the year ended December 31, 1927, showing the earnings for the year, and a condensed consolidated balance sheet at December 31, 1927, which reflects the financial condition at that date, both as referred to in the Certificate.

As is customary, on the opposite page immediately following the text of this report there will be found comparative consolidated income accounts for the five years 1923 to 1927, inclusive.

The report contains, for the first time, comparative consolidated balance sheets for each year of this period.

For the information of those who are interested in a corporate statement of the Associated Gas and Electric Company, there are also included, for like periods, Associated Gas and Electric Company Comparative Income Accounts and Balance Sheets.

All of these statements reflect the rapid growth of the Company.

Respectfully submitted,

FOR THE BOARD OF DIRECTORS,

J. I. MANGE,
President.

ASSOCIATED GAS and ELECTRIC SYSTEM

COMPARATIVE CONSOLIDATED INCOME ACCOUNT OF COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES ONLY SINCE DATES OF ACQUISITION

	Calendar Years				
	1923	1924	1925	1926	1927
GROSS EARNINGS:					
Electric	\$2,561,156.15	\$4,496,650.05	\$14,358,261.14	\$21,504,148.71	\$23,302,139.58
Gas	639,569.54	668,857.95	1,209,817.34	2,188,593.13	4,147,801.08
Water, Transportation, Heat and Miscellaneous	62,631.09	147,109.71	3,108,809.30	4,370,284.09	3,873,346.21
TOTAL	\$3,263,356.78	\$5,312,617.71	\$18,676,887.78	\$28,063,025.93	\$31,323,286.87
OPERATING EXPENSES, MAINTENANCE AND TAXES	2,154,740.43	3,497,206.47	11,080,384.03	15,521,978.16	18,264,654.74
NET EARNINGS	\$1,108,616.35	\$1,815,411.24	\$7,596,503.75	\$12,541,047.77	\$13,058,632.13
OTHER INCOME	213,710.30	345,955.33	774,259.09	1,220,262.03	3,973,454.32
GROSS INCOME	\$1,322,326.65	\$2,161,366.57	\$8,370,762.84	\$13,761,309.80	\$17,032,086.45
LESS FIXED CHARGES AND OTHER DEDUCTIONS OF SUBSIDIARY AND AFFILIATED COMPANIES	387,330.95	820,468.27	3,101,883.03	5,615,965.27	5,650,613.48
BALANCE	\$ 934,995.70	\$1,340,898.30	\$ 5,268,879.81	\$ 8,145,344.53	\$11,381,472.97
FIXED CHARGES AND OTHER DEDUCTIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY:					
Interest on Funded Debt	\$ 78,459.40	\$ 148,568.46	\$ 971,924.71	\$ 1,904,988.85	\$ 2,893,426.54
Interest on Floating Debt	42,698.43	79,486.60	505,322.27	413,517.95	530,662.93
TOTAL FIXED CHARGES OF ASSOCIATED GAS AND ELECTRIC COMPANY	\$ 121,157.83	\$ 228,055.06	\$ 1,477,246.98	\$ 2,318,506.80	\$ 3,424,089.47
NET INCOME AVAILABLE FOR RENEWALS AND REPLACEMENT RESERVES, DIVIDENDS AND SURPLUS	\$ 813,837.87	\$1,112,843.24	\$ 3,791,632.83	\$ 5,826,837.73	\$ 7,957,383.50
DIVIDENDS ON PREFERRED STOCK	119,459.09	284,371.75	828,673.77	1,662,153.57	3,453,507.02
BALANCE	\$ 694,378.78	\$ 828,471.49	\$ 2,962,959.06	\$ 4,164,684.16	\$ 4,503,876.48
LESS: RESERVED FOR RENEWALS AND REPLACEMENTS	179,822.10	289,414.19	1,036,112.55	1,627,193.10	1,698,731.00
BALANCE FOR FURTHER DIVIDENDS AND SURPLUS	\$ 514,556.68	\$ 539,057.30	\$ 1,926,846.51	\$ 2,537,491.06	\$ 2,805,145.48
DEDUCT—CLASS A PRIORITY DIVIDEND \$2.00 PER SHARE	*	*	456,496.19	607,760.13	975,714.08
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SURPLUS	—	—	\$ 1,470,350.32	\$ 1,929,730.93	\$ 1,829,431.40

*Class A not issued.

ASSOCIATED GAS and ELECTRIC SYSTEM

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA

—AND IN—

LONDON, PARIS, BERLIN, SHANGHAI, MANILA,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

37 WEST 39TH STREET
NEW YORK

August 7, 1928.

Associated Gas and Electric Company,
61 Broadway,
New York.

We have audited the accounts of the Associated Gas and Electric Company for the year ended December 31, 1927, and have been furnished with the balance sheets and income accounts of its subsidiary and affiliated companies as of that date and certify that the accompanying Condensed Consolidated Balance Sheet as at December 31, 1927, and the Condensed Consolidated Income Account for the year ended that date are in accord therewith.

Yours truly,

H. Haskins & Sells

ASSOCIATED GAS and ELECTRIC SYSTEM

Condensed Consolidated Income Account of ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES For the year ended December 31, 1927

Income for Companies acquired during the year is included only
from approximate dates of acquisition to December 31, 1927

OPERATING REVENUE:		
Electric	\$23,302,139.58	
Gas	4,147,801.08	
Water, Transportation, Heat and Miscellaneous.....	3,873,346.21	
TOTAL		\$31,323,286.87
OPERATING EXPENSES, MAINTENANCE AND TAXES (including Companies' Accruals for 1927 Federal Income Taxes)		
		18,264,654.74
OPERATING INCOME		\$13,058,632.13
OTHER INCOME		3,973,454.32
GROSS INCOME		\$17,032,086.45
LESS—Fixed Charges and Other Deductions:		
Subsidiary and Affiliated Companies:		
Interest on Funded and Unfunded Debt (less Interest During Construction)	\$ 5,329,310.85	
Preferred Stock Dividends.....	318,757.41	
Deduction by Company for Income applicable to Com- mon Stocks of Subsidiary and Affiliated Companies held by the Public.....	2,545.22	5,650,613.48
Balance.....		\$11,381,472.97
Associated Gas and Electric Company:		
Interest on Funded and Unfunded Debt.....		3,424,089.47
BALANCE		\$ 7,957,383.50
PREFERRED STOCK DIVIDENDS.....		3,453,507.02
BALANCE		\$ 4,503,876.48
PROVISION FOR RENEWALS, REPLACEMENTS AND RE- TIREMENTS (Depreciation)		
		1,698,731.00
BALANCE		\$ 2,805,145.48
DEDUCT—Class "A" Priority Dividends, \$2.00 per share		975,714.08
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SURPLUS		\$ 1,829,431.40

No charge for amortization of bond discount, premiums and expense has been included in the above statement, the entire amount thereof having been written off against Capital Surplus. However, there was charged to Corporate Surplus through credit to Capital Surplus, the pro rata amount of bond discount, premiums, and expense that would ordinarily have been charged to income for the year 1927.

ASSOCIATED GAS and ELECTRIC SYSTEM

Condensed Consolidated Balance Sheet of
ASSOCIATED GAS AND ELECTRIC COMPANY
 AND SUBSIDIARY AND AFFILIATED COMPANIES
December 31, 1927

Assets Side

PLANT, PROPERTY, FRANCHISES AND COST OF ACQUIRING CAPITAL.....	\$236,312,524.24
INVESTMENTS (Including Investments in and Advances (net) to Subsidiary and Affiliated Companies not included in the Consolidation).....	58,957,542.09

CURRENT ASSETS:

Cash	\$5,290,275.24	
Special Deposits	427,235.70	
Notes Receivable.....		\$5,717,510.94
Accounts Receivable:		589,254.58
Consumers, less reserve.....	\$2,853,844.96	
Miscellaneous	704,531.58	
		3,558,376.54
Due from Subscribers for Preferred Stocks and for Obligations Convertible into Preferred Stock (less reserve).....		3,077,525.00
Materials and Supplies.....		2,926,419.38

TOTAL CURRENT ASSETS..... 15,869,086.44

SINKING FUNDS FOR RETIREMENT OF BONDS..... 81,356.48

DEFERRED CHARGES:

Prepaid Expenses.....	\$ 457,283.20	
Miscellaneous Items in Suspense.....	1,023,889.72	
		1,481,172.92
TOTAL DEFERRED CHARGES		\$312,701,682.17
TOTAL		<u>\$312,701,682.17</u>

ASSOCIATED GAS and ELECTRIC SYSTEM

Condensed Consolidated Balance Sheet of ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES December 31, 1927

Liabilities Side and Capital

CAPITAL STOCK AND SURPLUS:

Associated Gas and Electric Company:

Preferred Stocks—Stated at Liquidation Values.....	\$56,653,350.00	
Class A and B Stocks—Liquidation Values, and Common Stock—Capital and Surplus*.....	43,311,641.41	\$99,964,991.41

Subsidiary and Affiliated Companies:

Preferred Stocks—Stated at Liquidation Values.....	\$ 4,504,970.00	
Common Stocks and Surplus Applicable Thereto.....	42,423.75	4,547,393.75

TOTAL CAPITAL STOCK AND SURPLUS.....		\$104,512,385.16
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OBLIGATIONS CONVERTIBLE INTO STOCK:

At Company's Option	\$12,563,450.00	
At Holders' Option	4,832,717.50	
TOTAL OBLIGATIONS CONVERTIBLE INTO STOCK.....		17,396,167.50

FUNDED DEBT:

Associated Gas and Electric Company:

5½ % Convertible Gold Debentures due 1977.....	\$39,107,000.00	
Other	4,829,500.00	\$43,936,500.00

Subsidiary and Affiliated Companies:

Associated Electric Company—Convertible Gold Bonds 5½ % Series due 1946.....	\$53,680,000.00**	
Other Subsidiary Companies Bonds.....	46,172,500.00	99,852,500.00

TOTAL FUNDED DEBT.....		143,789,000.00
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PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS.....		2,393,724.00
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CURRENT LIABILITIES:

Notes Payable	\$20,717,066.55	
Accounts Payable	1,400,721.82	

Accrued Accounts:

Dividends, Interest and Miscellaneous.....	3,469,747.48	
Taxes, including Companies' Accruals for Federal Income Tax for the Year 1927	1,461,324.66	

TOTAL CURRENT LIABILITIES.....		27,048,860.51
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CONSUMERS' DEPOSITS.....		1,861,373.82
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RESERVES:

Renewals, Replacements and Retirement of Property.....	\$12,702,032.63	
Other Reserves	2,998,138.55	

TOTAL RESERVES		15,700,171.18
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TOTAL		<u>\$312,701,682.17</u>
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* Includes Capital Surplus arising from revaluation of assets, contracts, etc., less \$10,027,099.96 discount, premiums, and expenses on bonds retired and on those still outstanding.
** Called for redemption July 1, 1928.

ASSOCIATED GAS and ELECTRIC SYSTEM

Comparative Consolidated Balance Sheet of
ASSOCIATED GAS AND ELECTRIC COMPANY
 AND SUBSIDIARY AND AFFILIATED COMPANIES
December 31, 1923 to 1927 inclusive

Assets Side

CAPITAL ASSETS:	1923	1924	1925	1926	1927
Plant, Property, Franchises and Cost of Acquiring Capital.....	\$14,101,590.00	\$52,885,211.29	\$185,337,470.65	\$231,258,132.70	\$236,312,524.24
Investments (Including Investments in and Advances (net) to Sub- sidiary and Affiliated Companies not included in the Consolida- tion)	946,983.60	1,403,560.91	4,357,867.51	1,248,851.98	58,957,542.09
TOTAL CAPITAL ASSETS.....	\$15,048,573.60	\$54,288,772.20	\$189,695,338.16	\$232,506,984.68	\$295,270,066.33
CURRENT ASSETS:					
Cash, Call Loans and Special De- posits	344,853.07	4,074,005.19	4,031,089.84	9,047,200.91	5,717,510.94
Notes Receivable	177,552.32	164,057.28	117,564.22	34,512.47	589,254.58
Accounts Receivable:					
Consumers, less reserve.....	532,567.75	1,581,412.83	2,482,119.48	3,083,753.04	2,853,844.96
Miscellaneous	8,554.40	5,780.58	341,613.54	1,305,085.40	704,531.58
Due from Subscribers for Preferred Stocks and for Obligations Con- vertible into Preferred Stock.....	232,819.27	524,811.47	8,955,974.46	4,919,754.46	3,077,525.00
Materials and Supplies.....	359,002.72	1,100,900.86	3,078,148.02	3,164,174.97	2,926,419.38
TOTAL CURRENT ASSETS.....	\$ 1,655,349.53	\$ 7,450,968.21	\$ 19,006,509.56	\$ 21,554,481.25	\$ 15,869,086.44
SINKING FUNDS FOR RETIREMENT OF BONDS	12,772.10	—	145,434.11	184,215.99	81,356.48
DEFERRED CHARGES:					
Prepaid Expenses	60,266.13	108,373.56	331,272.30	477,361.97	457,283.20
Miscellaneous Items in Suspense.....	107,708.18	408,983.04	422,623.74	438,525.75	1,023,889.72
TOTAL DEFERRED CHARGES \$	167,974.31	\$ 517,356.60	\$ 753,896.04	\$ 915,887.72	\$ 1,481,172.92
TOTAL ASSETS SIDE.....	\$16,884,669.54	\$62,257,097.01	\$209,601,177.87	\$255,161,569.64	\$312,701,682.17

ASSOCIATED GAS and ELECTRIC SYSTEM

Comparative Consolidated Balance Sheet of
ASSOCIATED GAS AND ELECTRIC COMPANY
 AND SUBSIDIARY AND AFFILIATED COMPANIES
December 31, 1923 to 1927 inclusive

Liabilities Side and Capital

CAPITAL STOCK AND SURPLUS:	1923	1924	1925	1926	1927
Preferred Stocks—Stated at Liquidation Values	\$ 2,456,784.30	\$ 5,151,450.00	\$ 14,116,550.00	\$ 42,974,060.00	\$ 56,653,350.00
Class A and B Stocks—Liquidation Values, and Common Stock—Capital and Surplus	3,221,700.21	8,658,783.02	20,559,412.45	36,221,875.60	43,311,641.41
TOTAL CAPITAL STOCK AND SURPLUS	\$ 5,678,484.51	\$ 13,810,233.02	\$ 34,675,962.45	\$ 79,195,935.60	\$ 99,964,991.41
SUBSIDIARY AND AFFILIATED COMPANIES' STOCKS OUTSTANDING:					
Preferred Stocks	586,493.34	2,608,500.00	15,875,420.00	6,415,200.00	4,504,970.00
Common Stocks and Surplus Applicable Thereto	32,086.22	3,797,782.01	6,303,080.52	8,207.43	42,423.75
TOTAL SUBSIDIARY AND AFFILIATED COMPANIES' STOCKS OUTSTANDING	\$ 618,579.56	\$ 6,406,282.01	\$ 22,178,500.52	\$ 6,423,407.43	\$ 4,547,393.75
OBLIGATIONS WHICH ARE CONVERTIBLE INTO STOCK AT BOTH THE COMPANY'S AND HOLDERS' OPTION	125,100.00	230,600.00	26,519,157.50	16,407,900.00	17,396,167.50
FUNDED DEBT:					
Associated Gas and Electric Company	1,203,400.00	4,000,000.00	14,172,700.00	8,527,600.00	43,936,500.00
Subsidiary and Affiliated Companies	5,126,290.75	16,452,900.00	70,862,150.00	109,768,600.00	99,852,500.00
TOTAL FUNDED DEBT	\$ 6,329,690.75	\$ 20,452,900.00	\$ 85,034,850.00	\$ 118,296,200.00	\$ 143,789,000.00
PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS	—	5,799,417.44	11,377,576.25	1,385,827.00	2,393,724.00
CURRENT LIABILITIES:					
Notes Payable	2,131,675.33	6,170,900.79	8,415,077.38	8,097,316.67	20,717,066.55
Accounts Payable	579,168.10	1,261,632.67	1,935,201.00	2,806,616.43	1,400,721.82
Accrued Taxes	98,347.13	419,829.70	746,079.24	1,232,918.12	1,461,324.66
Accrued Interest, Dividends and Miscellaneous Accounts	133,975.91	462,565.88	1,874,964.65	2,811,117.23	3,469,747.48
TOTAL CURRENT LIABILITIES	\$ 2,943,166.47	\$ 8,314,929.04	\$ 12,971,322.27	\$ 14,947,968.45	\$ 27,048,860.51
CONSUMERS' DEPOSITS	188,398.59	627,228.41	1,218,991.37	1,648,526.35	1,861,373.82
RESERVES:					
Renewals, Replacements and Retirement of Property	939,826.78	5,302,581.32	12,319,507.83	14,279,659.45	12,702,032.63
Other Reserves	61,422.88	1,312,925.77	3,305,309.68	2,576,145.36	2,998,138.55
TOTAL RESERVES	\$ 1,001,249.66	\$ 6,615,507.09	\$ 15,624,817.51	\$ 16,855,804.81	\$ 15,700,171.18
TOTAL LIABILITIES SIDE AND CAPITAL	\$16,884,669.54	\$62,257,097.01	\$209,601,177.87	\$255,161,569.64	\$312,701,682.17

ASSOCIATED GAS and ELECTRIC SYSTEM

Comparative Condensed Income Accounts of
ASSOCIATED GAS AND ELECTRIC COMPANY
For years ended December 31st

	1923	1924	1925	1926	1927
GROSS INCOME (Excluding non-recurring income items)	\$ 562,416.16	\$ 1,006,236.92	\$ 3,432,253.26	\$ 6,080,082.71	\$ 8,876,400.64
INCOME CHARGES:					
Interest on Funded Debt	78,459.40	148,568.46	644,583.83	1,184,297.83	2,548,432.45
Interest on Unfunded Debt	39,052.02	74,004.59	494,353.45	414,006.87	541,822.68
Interest on Convertible Obligations*	3,646.41	8,926.95	349,123.66	729,118.67	344,994.09
TOTAL INCOME CHARGES \$	<u>121,157.83</u>	<u>\$ 231,500.00</u>	<u>\$ 1,488,060.94</u>	<u>\$ 2,327,423.37</u>	<u>\$ 3,435,249.22</u>
NET INCOME TRANSFERRED TO SURPLUS	\$ 441,258.33	\$ 774,736.92	\$ 1,944,192.32	\$ 3,752,659.34	\$ 5,441,151.42

* Includes interest on Obligations convertible into stock at Company's Option.

ASSOCIATED GAS and ELECTRIC SYSTEM

Comparative Balance Sheet of
ASSOCIATED GAS AND ELECTRIC COMPANY
For years ended December 31st

Assets Side

INVESTMENTS, CAPITAL ASSETS AND ADVANCES TO ASSOCIATED COMPANIES	1923	1924	1925	1926	1927
	\$ 8,919,090.27	\$21,146,694.77	\$ 84,235,953.49	\$ 98,258,175.81	\$178,975,965.45
CURRENT ASSETS:					
Cash and Call Loans.....	150,493.43	1,742,515.90	1,161,777.34	6,036,256.66	4,471,411.68
Notes and Accounts Receivable from Customers and Subscribers	412,736.12	408,695.36	8,902,292.89	6,022,503.46	3,104,881.75
TOTAL CURRENT ASSETS.....	\$ 563,229.55	\$ 2,151,211.26	\$ 10,064,070.23	\$ 12,058,760.12	\$ 7,576,293.43
DEFERRED CHARGES:					
Prepaid Accounts	854.50	13,275.12	23,783.05	53,147.43	80,709.83
Surprise	616.67	47,138.87	83,595.59	304,573.78	457,533.72
TOTAL DEFERRED CHARGES	\$ 1,471.17	\$ 60,413.99	\$ 107,378.64	\$ 357,721.21	\$ 538,243.55
TOTAL ASSETS SIDE.....	\$ 9,483,790.99	\$23,358,320.02	\$ 94,407,402.36	\$110,674,657.14	\$187,090,502.43

Liabilities Side and Capital

CAPITAL STOCK AND SURPLUS:					
Preferred, Class A and B Stocks, Liquidation Values, and Com- mon Stock — Capital and Surplus	\$7,224,238.62	\$14,511,242.12	\$36,279,517.11	\$ 77,019,908.84	\$100,503,838.23
OBLIGATIONS WHICH ARE CON- VERTIBLE INTO STOCK AT BOTH THE COMPANY'S AND HOLDERS' OPTION	125,100.00	230,600.00	25,956,157.50	16,287,600.00	17,285,674.16
FUNDED DEBT	1,316,600.00	4,000,000.00	14,172,700.00	8,527,600.00	43,936,600.00
PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS	—	—	11,018,201.00	724,683.00	1,749,275.00
NOTES PAYABLE	736,000.00	4,425,288.90	5,200,894.56	4,650,000.00	20,535,000.00
ACCOUNTS PAYABLE	63,516.35	3,204.36	16,800.72	1,619,950.90	256,951.88
ACCRUED DIVIDENDS, INTEREST AND MISCELLANEOUS ACCOUNTS	18,336.02	20,326.05	294,765.46	474,433.80	1,311,122.32
RESERVES	—	167,658.59	1,468,366.01	1,370,480.60	1,512,040.84
TOTAL LIABILITIES SIDE AND CAPITAL	\$9,483,790.99	\$23,358,320.02	\$94,407,402.36	\$110,674,657.14	\$187,090,502.43

ASSOCIATED GAS and ELECTRIC SYSTEM

FACTS CONCERNING FUNDED DEBT AND CAPITAL STOCK

Name	Date Payable		Where Payable	Trustees, Transfer Agents or Registrars
Associated Gas & Electric Company				
4½% Convertible Gold Debentures, due 1948.....	March 1st—September 1st	{ Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	New York Trust Company, New York City, Trustee
4½% Gold Debenture Bonds, due 1958.....	May 1st—November 1st	{ Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	Chase National Bank of the City of New York, Trustee
5% Gold Debenture Bonds, due 1968.....	April 1st—October 1st	{ Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	National Bank of Commerce in New York, Trustee
5% Gold Debenture Bonds, Series of 1928.....	January 1st—July 1st	{ Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	Chase National Bank of the City of New York, Trustee
5½% Convertible Gold Debentures, due 1977.....	February 1st—August 1st	Coupon	H. C. Hopson & Co., Inc., N. Y. C.	New York Trust Company, New York City
6% Convertible Debenture Certificates, Series B.....	January 1st—July 1st Jan., Apr., July, Oct. 1st	Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	National Bank of Commerce in New York, Registrar
6% Convertible Debenture Certificates, Series C.....	March 1st—September 1st Mar., June, Sept., Dec. 1st	Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	National Bank of Commerce in New York, Registrar F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
6% Convertible Debenture Certificates, Series D.....	March 1st—September 1st Mar., June, Sept., Dec. 1st	Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	National Bank of Commerce in New York, Registrar F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
6% Convertible Debenture Certificates, Series E and F.....	March 1st—September 1st Mar., June, Sept., Dec. 1st	Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	National Bank of Commerce in New York, Registrar F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
6½% Convertible Debenture Certificates, Series B.....	January 1st—July 1st Jan., Apr., July, Oct. 1st	Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	National Bank of Commerce in New York, Registrar
6½% Convertible Debenture Certificates, Series C.....	January 1st—July 1st Jan., Apr., July, Oct. 1st	Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C. The Company, Ithaca, N. Y.	National Bank of Commerce in New York, Registrar
Associated Electric Company				
4½% Gold Bonds, due 1953.....	January 1st—July 1st	{ Coupon Registered	H. C. Hopson & Co., Inc., N. Y. C.	National Bank of Commerce in New York, Trustee
Citizens Light, Heat and Power Company of Pennsylvania				
5% 1st Mortgage, due 1934.....	May 1st—November 1st	Coupon	Harris, Forbes & Co., N. Y. and Boston Harris Trust & Savings Bank, Chicago	United States Mortgage & Trust Co., New York, Trustee

Erie Lighting Company

5% 1st Mortgage, due 1967	April 1st—October 1st	Coupon	Pa. Co. for Ins. on Lives & Gr. Ann.	Penna. Co. for Ins. on Lives & Granting Annuities, Phila., Pa., Trustee
Indiana Gas Utilities Company				
5% 1st Mortgage, due 1946	January 1st—July 1st	Coupon	Harris, Forbes & Co., N. Y. and Boston Harris Trust & Savings Bank, Chicago	National Bank of Commerce in New York, Trustee
Long Island Water Corporation				
5½% 1st Mortgage, due 1955	May 1st—November 1st	Coupon	H. C. Hopson & Co., Inc., N. Y. C.	Guaranty Trust Company of New York, Trustee
Manila Electric Railroad and Lighting Corporation				
5% 1st and Collateral Trust, due 1953	March 1st—September 1st	Coupon	H. C. Hopson & Co., Inc., N. Y. C.	Equitable Trust Company of New York, Trustee
New York State Gas and Electric Corporation				
5½% 1st Mortgage, due 1962	April 1st—October 1st	Coupon	Equitable Trust Co. of New York	Equitable Trust Company of New York, Trustee
Penn Public Service Corporation				
6% 1st and Refunding, due 1947	May 1st—November 1st	Coupon	First National Bank, New York	Bankers Trust Company, New York, Trustee
Penn Public Service Corporation				
5% 1st and Refunding, due 1954	June 1st—December 1st	Coupon	H. C. Hopson & Co., Inc., N. Y. C.	Bankers Trust Company, New York, Trustee
Richmond Light & Railroad Company				
4% 1st Collateral Trust, due 1952	January 1st—July 1st	Coupon	Guaranty Trust Co. of New York	Guaranty Trust Company of New York, Trustee

Associated Gas & Electric Company

Common Stock				F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Equitable Trust Company of New York, Registrar
Class A Stock	Feb., May, Aug., Nov. 1st	The Company, Ithaca, New York		Seaboard National Bank, New York, Tfr. Agt. State Street Trust Company, Boston, Mass., Tfr. Agt. National Bank of Commerce in New York, Registrar First National Bank of Boston, Mass., Registrar
\$6 Dividend Series Preferred Stock	Mar., June, Sept., Dec. 1st	The Company, Ithaca, New York		F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Chase National Bank of the City of New York, Registrar
\$6.50 Dividend Series Preferred Stock	Mar., June, Sept., Dec. 1st	The Company, Ithaca, New York		F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Chemical National Bank, New York City, Registrar
\$7 Dividend Series Preferred Stock	Jan., Apr., July, Oct. 1st	The Company, Ithaca, New York		F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Bank of America, New York City, Registrar
Original Series Preferred Stock	Jan., Apr., July, Oct. 1st	The Company, Ithaca, New York		F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. American Exchange Irving Trust Co., N. Y. C., Registrar

Erie Lighting Company

Preference Stock (\$2)	Jan., Apr., July, Oct. 1st	Associated Gas & Electric Co., Ithaca	F. E. Taylor, C. A. Dougherty, & W. L. Freund, 61 Broadway, N. Y. C., Transfer Agent J. F. McKenna & E. B. Naylon, 61 Broadway, N. Y. C., Registrar
Staten Island Edison Corporation			
\$6 First Preferred Stock	Jan., Apr., July, Oct. 1st	Associated Gas & Electric Co., Ithaca	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. National Bank of Commerce in New York, Registrar

Geographical Distribution of Registered Security Holders

UNITED STATES

Alabama	13	Louisiana	10	Ohio	412
Arizona	6	Maine	293	Oklahoma	8
Arkansas	5	Maryland	413	Oregon	103
California	1,613	Massachusetts	3,843	Pennsylvania	14,083
Colorado	25	Michigan	118	Rhode Island	732
Connecticut	1,257	Minnesota	304	South Carolina	48
Delaware	55	Mississippi	10	South Dakota	324
Dist. of Columbia	98	Missouri	430	Tennessee	417
Florida	81	Montana	13	Texas	49
Georgia	14	Nebraska	6	Utah	201
Idaho	15	Nevada	6	Vermont	94
Illinois	1,092	New Hampshire	1,114	Virginia	42
Indiana	475	New Jersey	1,070	Washington	197
Iowa	27	New Mexico	6	West Virginia	34
Kansas	8	New York	25,493	Wisconsin	167
Kentucky	1,317	North Carolina	99	Wyoming	3
		North Dakota	5		
		Total	56,248		

FOREIGN COUNTRIES AND UNITED STATES' POSSESSIONS

Africa	4	England	147	Philippine Islands	23
Alaska	2	France	1	Porto Rico	4
Belgium	2	Germany	3	Scotland	8
Bermuda	5	Hawaii	3	Spain	1
Brazil	1	Holland	2	Switzerland	3
Canada	59	Ireland	5	Virgin Islands.....	2
Canal Zone	1	Italy	7	Wales	1
Chile	1	Jersey Islands	3	West Indies	1
		Total	289		
		Grand Total.....	56,537		

ASSOCIATED
GAS and ELECTRIC
COMPANY



Annual Report of the Board of Directors
to the Stockholders
for the Year ended December 31, 1928

Organization of the
Associated Gas and Electric Company

(Incorporated under the laws of the State of New York in 1906)

Officers

J. I. MANGE, *President* New York
H. C. HOPSON, *Vice-President and Treasurer* New York
S. J. MAGEE, *Vice-President and General Manager* New York
J. M. DALY, *Vice-President* New York
O. E. WASSER, *Comptroller and Assistant Secretary-Treasurer* Ithaca, N. Y.
M. C. O'KEEFE, *Secretary and Assistant Treasurer* New York

*Directors**

W. S. BARSTOW New York Chairman W. S. Barstow & Company	HOWARD C. HOPSON New York Vice-President and Treasurer
CHARLES W. BEALL New York Harris, Forbes & Company	SANFORD J. MAGEE New York Vice-President and General Manager
WILLIAM BUCHSBAUM New York Vice-President W. S. Barstow & Company	JOHN I. MANGE New York President
FREDERICK S. BURROUGHS New York Harris, Forbes & Company	FARIS R. RUSSELL New York White, Weld & Company
JOHN M. DALY New York Vice-President	DANIEL STARCH New York Daniel Starch and Staff

FINANCIAL OFFICE, 61 Broadway, New York City

PRINCIPAL OFFICE Ithaca, New York

THE J. G. WHITE MANAGEMENT CORPORATION

OPERATING MANAGERS

33 LIBERTY STREET, NEW YORK CITY

Annual Report of the Board of Directors
of
ASSOCIATED GAS AND ELECTRIC COMPANY

TO THE STOCKHOLDERS
For the Year Ended December 31, 1928

TO THE STOCKHOLDERS OF
ASSOCIATED GAS AND ELECTRIC COMPANY:

The Board of Directors herewith submits the annual report for the year ended December 31, 1928, with statement of income for the year and balance sheet showing the financial condition at the close of the year.

FOREWORD

THE ASSOCIATED GAS AND ELECTRIC SYSTEM had its inception with the establishment of the Ithaca Gas Light Company in Ithaca, New York, in 1852. This was an isolated company for over fifty years, when its owners became interested in and secured control of, several other electric and gas properties in the south central part of New York State. The group of properties thus united in a common ownership came to be known as "The Associated Gas and Electric Companies," and these properties formed the nucleus around which the Associated Gas and Electric System has grown. The original Associated Companies are still part of the Associated System. In 1906 the owners of these properties organized the Associated Gas and Electric Company under the laws of New York State. The Associated Companies were thus among the earliest public utility companies in the country to adopt centralized management.

PROPERTIES AND TERRITORY SERVED

The two principal units of the Associated System are the Associated Gas and Electric Company and the New England Gas and Electric Association. The public utility properties, of which substantially 100% actual ownership is held within the System, are grouped, for administrative convenience, as follows:

New York State
Staten Island (New York)
Maritime Provinces (Canada)
Kentucky-Tennessee

Long Island (New York)
Pennsylvania
New England
Gas Utilities

Philippine Islands

ASSOCIATED GAS and ELECTRIC SYSTEM

These properties provide electric light and power, gas, water, and transportation service to over 635,000 customers in territories having a population in excess of 2,700,000. The territories served include more than 1,000 communities located in the States of New York, Pennsylvania, Maryland, Massachusetts, Maine, New Hampshire, Vermont, Connecticut, Kentucky, Tennessee, West Virginia, Ohio, Illinois, Indiana, and South Dakota. A number of communities in Nova Scotia, New Brunswick, and Prince Edward Island in the Maritime Provinces of Canada are also served and an important unit in the System is the group which renders electric power and light and transportation service in the City and suburbs of Manila and elsewhere in the Philippine Islands.

SUMMARY OF PROGRESS IN 1928

Substantial progress was made during 1928 in practically all phases of the business of the Associated System as indicated in the following summary:

Total customers	635,243
Increase in customers during 1928.....	33,262
Total gross revenue	\$42,163,550
Increase in gross revenue during 1928.....	19%
Total net revenue	\$19,170,637
Increase in net revenue during 1928.....	13%
Increase in electric output during 1928.....	6.1%
Increase in gas send-out during 1928.....	6.0%
Kilowatt hours sold per residential customer.....	321
Increase in 1928	9.5%
Proportion of total operating revenue from:	
Electric service	72.7%
Gas service	20.2%
Miscellaneous revenue	7.1%
Total appliances sold by New Business Department during 1928	\$2,554,448
Increase in appliance sales during 1928.....	275%
Total shareholders and registered security holders.....	66,263
Increase in shareholders during 1928.....	9,726
Total securities sold to customers	\$36,000,000
Total sold to customers during 1928.....	\$13,183,715

GEOGRAPHICAL DIVERSITY OF AREAS SERVED

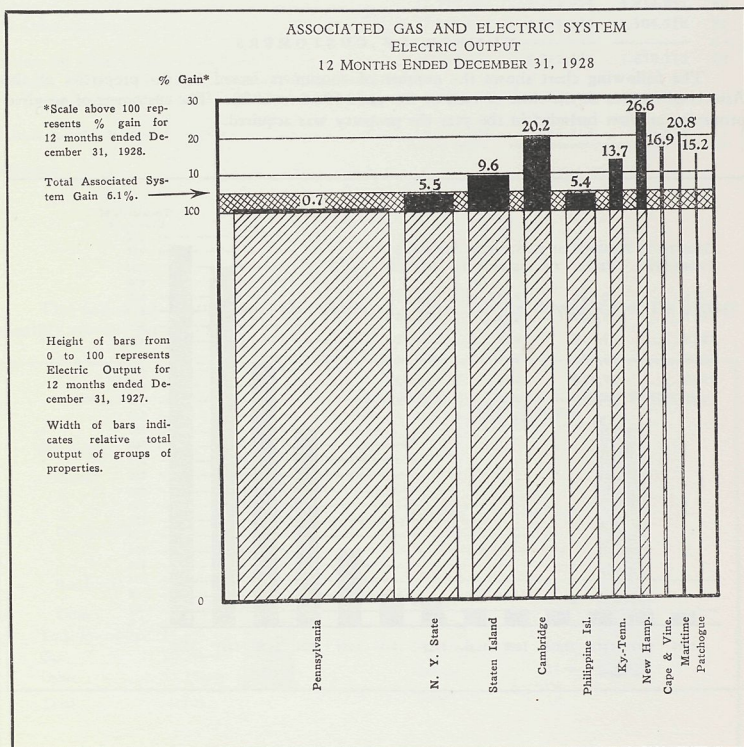
Utility systems have been built up by one of two plans so far as geographical grouping is concerned. One method consists of adding properties which are geographically adjacent. The other method consists in adding properties that are situated in geographically separate areas.

ASSOCIATED GAS and ELECTRIC SYSTEM

The Associated System has followed the latter method with the result that it includes properties in 16 states, the three Maritime Provinces of Canada, and the City of Manila and other parts of the Philippine Islands. This plan has the advantage of wide diversification in types of population, in sizes of communities, and in industries served.

Business conditions, even in generally prosperous times, vary widely at any given time in different parts of the country. At one time, certain types of agricultural areas are more prosperous than others, certain industrial areas are more active at given times than others, certain mining activities may be more or less prosperous at different times.

A distinct advantage of the business stability of a geographically diversified system of properties such as the Associated System, is illustrated in the electric output for the year 1928, as shown in the accompanying chart.



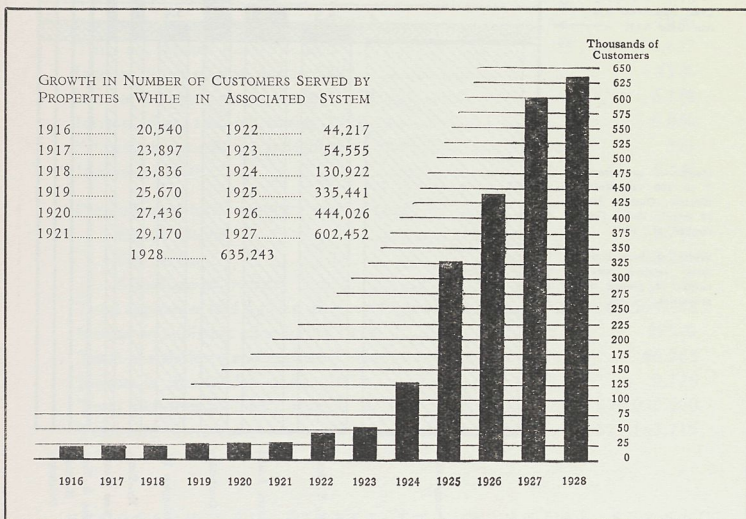
ASSOCIATED GAS and ELECTRIC SYSTEM

Due to the depressed condition of the bituminous coal mining area in Western Pennsylvania, the electric output of this area shows practically no increase during 1928. This condition was offset to a great extent by the more prosperous conditions in other areas, resulting in a substantial gain for the System as a whole. If such an area as the Western Pennsylvania section were a separate enterprise, the business of the company would be seriously affected by conditions over which it had no control. Securities of such an individual unit would be materially depreciated and financing would be difficult for such an isolated company to carry out.

The wide geographical diversification of the Associated System materially enhances the stability of its business which is reflected in the advantageous basis on which the company has been able to market its securities.

NUMBER OF CUSTOMERS

The following chart shows the number of consumers served by the properties of the Associated System at the close of each of the years 1916 to 1928. The customers of acquired properties are first included in the year the property was acquired.



ASSOCIATED GAS and ELECTRIC SYSTEM

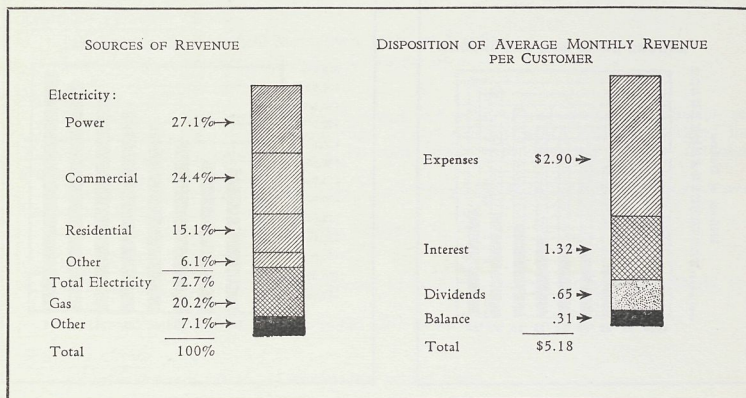
EARNINGS

The most recent comparative earnings statement available (in the form in which it is published each month), is given below for twelve months ended February 28, 1928 and 1929:

	1929	1928	Amount	Increase %
Gross Earnings and Other Income.....	\$47,437,778	\$40,208,589	\$7,229,189	18
Operating Expenses, Maintenance, all Taxes, etc.....	26,174,840	22,191,237	3,983,603	18
Net Earnings	21,262,938	18,017,352	3,245,586	18
Underlying Preferred Dividends and Interest.....	4,032,053	5,721,298	1,689,245*	30*
Balance	17,230,885	12,296,054	4,934,831	40
All Other Interest.....	7,388,408	4,083,892	3,304,516	81
Balance for Dividends and Depreciation.....	9,842,477	8,212,162	1,630,315	20
Provision for Replacements, Renewals and Retirement of Fixed Capital (Depreciation).....	2,885,189	1,968,445	916,744	47
Balance for Dividends and Surplus.....	6,957,288	6,243,717	713,571	11

* Decrease

The following charts show the sources of revenue and the disposition of the average monthly revenue per customer:



ASSOCIATED GAS and ELECTRIC SYSTEM

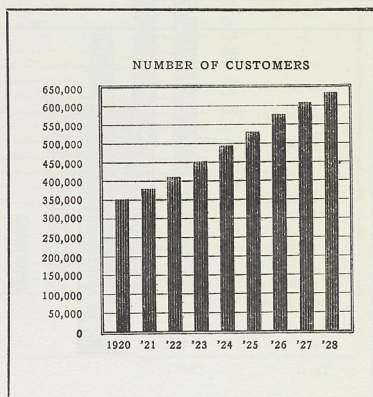
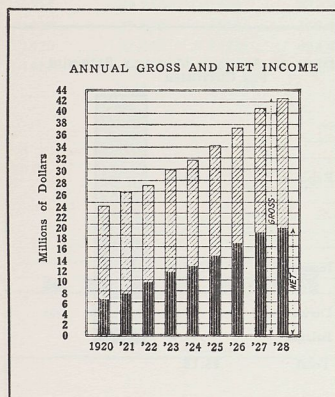
GROWTH OF BUSINESS

The business done by the combined operating units of the Associated Gas and Electric System has shown at all times a rapid and remarkably constant growth. A statement showing earnings and other statistics of all properties now comprising the Associated Gas and Electric System, including the New England Gas and Electric Association Group, and irrespective of the dates when they were first included as part of the System, is shown below:

December 31	—Annual Earnings—		Sales K.W.H.	Number of Customers	
	Gross	Net*		Electric	Gas, Water, etc.
1920.....	\$23,563,990	\$ 6,517,223	326,818,173	175,541	177,184
1921.....	26,118,750	7,527,331	316,397,547	199,735	183,841
1922.....	27,391,520	9,653,545	366,780,382	226,187	190,358
1923.....	30,267,875	11,487,770	441,197,835	256,596	195,586
1924.....	31,999,120	12,501,321	482,992,255	291,082	202,067
1925.....	34,505,614	14,516,219	562,362,399	320,415	209,629
1926.....	37,882,358	16,820,144	657,168,691	352,157	220,949
1927.....	41,475,342	18,693,578	714,792,782	383,924	226,763
1928.....	42,602,462	19,353,555	767,098,646	403,975	231,268

* Before depreciation.

The following charts show graphically the growth in annual gross and net earnings and the number of customers of properties in the Associated System, irrespective of the dates of acquisition, from 1920 to 1928, as set forth in the above tabulation.



ASSOCIATED GAS and ELECTRIC SYSTEM

ACQUISITIONS DURING YEAR

During the past year, the Associated Gas and Electric Company acquired through subsidiaries several properties which were near those already owned and which could be advantageously operated in connection therewith. These purchases did not include any particularly large additions. They were for the most part comparatively small properties in territories adjacent to those of the New York, Maritime (Canada), and Philippine groups. Such acquisitions have materially aided the process of consolidation and unification in those territories, with resulting gains in net earnings immediately or in prospect of early realization.

CONSTRUCTION AND EXTENSION PROJECTS

Approximately \$11,000,000 was appropriated for new construction during 1928. Most of this was spent for normal expansion and does not include any particularly large or otherwise noteworthy projects. A large part of the amount appropriated went for distribution line extensions which were numerous throughout the entire Associated territory.

The biggest undertaking was the new water gas plant at Worcester, Massachusetts. Newly acquired properties were rehabilitated and brought up to date.

The more important construction projects completed in 1928 were the following:

New York State Group

New transmission lines between Liberty and Jeffersonville; Norwich and Oxford; Brainard and Adams Crossing; and Sciota and Mooers.

New substations at Mooers, Plattsburg district; Jeffersonville, Liberty district; and Adams Crossing, Chatham district. Improvements and additions to substations at Kiamesha and Loch Sheldrake, Liberty district; and Hamburg, Lancaster district.

Street lighting installation for Towns of Marilla and Alden, Lancaster district.

Pennsylvania Group

New transmission line from Clearfield to Philipsburg.

Additional bench in Clearfield gas plant.

Complete remodelling of a number of commercial offices.

Kentucky-Tennessee Group

Installation of a new 500 horsepower boiler at Mayfield.

Installation of benches at Bowling Green gas plant.

New England Group

In compliance with municipal requirements, 9.6 miles of underground distribution cable were installed during the year in Cambridge, a large part of which replaced overhead lines. Twelve miles of fibre conduit were also installed which will ultimately be used for underground circuits.

A 20-inch high pressure line from the Cambridge gas plant to the new governor station at Cameron Avenue.

New automatic substation installed at Derry.

Philippine Group

Extension of electric line to Mecayauan and other towns and districts immediately north of Manila.

Boulevard street lighting system in the City of Manila.

Maritime Group

Additional steam turbine in Fredericton power plant.

ASSOCIATED GAS and ELECTRIC SYSTEM

OPERATIONS

A condensed comparative consolidated income statement showing the operating results of the Company and subsidiaries for the calendar years 1928 and 1927, is shown below. The figures include earnings and expenses only since date of acquisition for properties added to the System during the year and, therefore, do not agree with the gross and net earnings shown on pages 4 and 8, which reflect a full year's operation of all the properties in the System at the close of the year:

	Year ended December 31,		Increase	
	1928	1927	Amount	%
GROSS EARNINGS (including Other Income)	\$36,291,868.81	\$35,296,741.19	\$ 995,127.62	2.8
OPERATING EXPENSES, MAINTENANCE, ALL TAXES, ETC.	18,290,276.40	18,264,654.74	25,621.66	1
	<u>\$18,001,592.41</u>	<u>\$17,032,086.45</u>	<u>\$ 969,505.96</u>	<u>5.7</u>
FIXED CHARGES AND OTHER DEDUCTIONS FROM INCOME:				
Subsidiary and Affiliated Companies	\$ 3,389,810.10	\$ 5,650,613.48	\$ 2,260,803.38d	40.0d
Associated Gas and Electric Company	6,095,895.94	3,424,089.47	2,671,806.47	78.0
	<u>\$ 9,485,706.04</u>	<u>\$ 9,074,702.95</u>	<u>\$ 411,003.09</u>	<u>4.5</u>
NET INCOME AVAILABLE FOR RENEWALS, REPLACEMENTS, AND RETIREMENT RESERVE, DIVIDENDS AND SURPLUS	\$ 8,515,886.37	\$ 7,957,383.50	\$ 558,502.87	7.0
DIVIDENDS ON PREFERRED STOCK	3,512,636.95	3,453,507.02	59,129.93	1.7
BALANCE	\$ 5,003,249.42	\$ 4,503,876.48	\$ 499,372.94	11.1
PROVISION FOR RENEWALS, REPLACEMENTS, AND RETIREMENTS OF FIXED CAPITAL (DEPRECIATION)	1,830,454.52	1,698,731.00	131,723.52	7.8
BALANCE AVAILABLE FOR CLASS A AND OTHER DIVIDENDS AND SURPLUS	<u>\$ 3,172,794.90</u>	<u>\$ 2,805,145.48</u>	<u>\$ 367,649.42</u>	<u>13.1</u>

d Decrease.

EMPLOYEES' STOCK INVESTMENT AND SAVINGS PLAN

The management early in 1927 established a Stock Investment and Savings Plan for the benefit of the employees of the Associated Gas and Electric System. This Plan provides that all employees of the Company and subsidiary and affiliated organizations, may subscribe for Class A Stock for which payment may be made only by deductions from the employee's compensation under an arrangement similar to that used by other large companies. The maximum amount of stock for which any employee is permitted to subscribe is limited so that the monthly deduction from his pay can not exceed ten per cent of his compensation.

The above plan was placed in operation in May, 1927, and most of the subscriptions will be completed before the end of 1929. Approximately 87% of all eligible employees have subscribed to a total of over 59,000 shares, having an aggregate value at present market quotation of nearly \$3,500,000. The average number of shares subscribed for per employee was 13.

It is probable that a new plan of similar nature will be offered in 1929 which will give an opportunity to those who profited by the 1927 Plan to continue systematic saving and investment with substantial aid from the employing company; and will offer a similar opportunity to other employees who, because of the recent date of their employment or for some other reason, did not participate in the first Plan.

PUBLIC RELATIONS

The relations of the Associated System properties with the public served continue to be satisfactory. The properties have always been maintained at a high degree of efficiency, in order that the best possible service could be given the consumers. During the year a con-

ASSOCIATED GAS and ELECTRIC SYSTEM

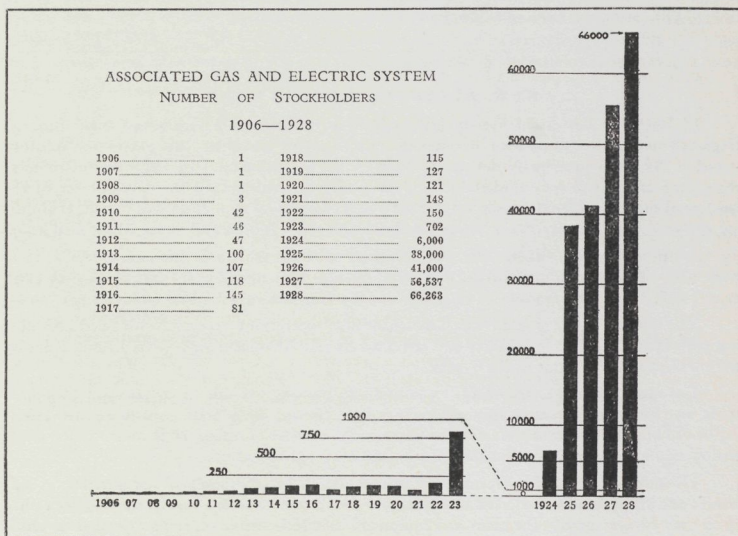
siderable expenditure was made for bettering connections between existing lines and systems and for improving the facilities of the various plants. These improvements, resulting in greater efficiency for the various properties of the System, help to maintain good will between the Associated System and the public served by it.

CUSTOMER OWNERSHIP DEPARTMENT

The management of the Associated System has had in operation for seven years a customer ownership department for the purpose of giving the customers served an opportunity to invest in securities of the Company. Over \$36,000,000 of securities, chiefly preferred stocks of the Company, have been sold to approximately 40,000 customers during this period. Of this amount over \$13,000,000 of securities were sold to approximately 19,000 customers during the year 1928.

The management of the Associated Company believes in the wisdom of the customer ownership program as it not only provides a good opportunity for the customers to invest on advantageous terms but also establishes a closer relationship between the operating properties and their customers by giving them a more direct interest in the activities and the prosperity of the Company. At the same time it gives wider distribution to the securities of the Company and provides a substantial group of stockholders who are interested primarily in a sound, long term investment.

The following chart shows graphically the growth in the number of shareholders since the organization of the Company, and in more marked form the increase since the policy of enlarging the Company and distributing its securities among a large number of investors, was instituted in 1922 by the present management.



ASSOCIATED GAS and ELECTRIC SYSTEM

OCCUPATIONS OF STOCKHOLDERS

As of January 1, 1929

An extensive analysis of a large and representative cross-section of the stock and customer ownership convertible debenture holders showed the following proportions in the various occupational groups. These figures indicate a wide holding among practically all types of occupations:

Total number of stockholders.....		66,263
Classification	%	Number
Housewives	25.9	17,162
Executives and Proprietors of Business Establishments	11.1	7,355
Skilled Labor	10.7	7,090
Clerks	8.4	5,566
Professional	8.2	5,434
Associated System Employees	7.6	5,036
Unskilled Labor	7.1	4,704
Farmers	6.3	4,175
Retired	6.3	4,175
Institutions, Societies, and Business Organizations	1.9	1,259
Bankers and Brokers	1.8	1,193
Salesmen	1.7	1,126
Students	1.5	994
Minor Children	0.8	530
City, State, and Government Employees	0.7	464
Total	100.0	66,263

NEW BUSINESS DEPARTMENT

In 1926 the Associated System first undertook to establish a centralized New Business Department for the purpose of developing greater use of electricity and gas in the territory served. 1927 was principally devoted to surveys and organization. In 1928 systematic merchandising campaigns were undertaken and primarily directed toward the development of the residential market. Merchandising of domestic and commercial appliances was inaugurated during the year in the Pennsylvania Group; in Patchogue, New York; and in the Maritime Group.

At the end of 1927 there were 100 appliance salesmen, while at the end of 1928 there were 275. The gross sales of electric and gas appliances were nearly four times as great in 1928 as in 1927. The total amount of such sales for the year was over \$2,500,000.

The number of stores from which merchandising operations are conducted increased during the year from 52 to 94. Sixty-five standard electric Associated signs were installed during the year in various sections of the System.

The New Business Department, in addition to pushing the sale of electric and gas appliances, also carried on an active program for installing efficient house wiring, including the rewiring of old homes and the introduction of convenience outlets. During 1928 over 3,200 house wiring contracts were made for completely rewiring old houses.

The purpose of the New Business Department activities is to increase the number of consumers and the quantity of electric energy or gas consumed, thus constantly striving to utilize up to their fullest capacity the plant and equipment in which the Company's capital is invested.

ASSOCIATED GAS and ELECTRIC SYSTEM

NEW OPTIONAL LOW ENERGY RATES

The management of the Associated System has been active during the past two years and particularly during the year 1928 in the development of a system of rates which would make it possible for customers to make larger use of the company's services. The principle of these rates essentially consists of two parts: First, a means for covering the minimum charge for the facilities necessary to furnish service and, second, a relatively low rate for the actual energy used. Once the first part of the charge is covered a large amount of energy may be used for light and power for the various appliances at a relatively small cost. The fixed part of the rate is usually determined by the amount of floor area or the number of rooms in a house.

These new low energy rates were introduced widely throughout nearly all parts of the Associated System. They are in most areas optional with customers. Ultimately the general introduction of these rates should lead to the wider use of appliances and to an increased sale of electricity.

The application of these new rates usually means a reduction during the first year in the amount of revenue received by the Company. Ultimately, however, they should be mutually beneficial to the customers and eventually to the Company. Due to the low charge for kilowatt hours in these new rates, the margin of profit to the Company, in the additional kilowatt hours sold, is small. The increased use of electricity which these new rates are helping to bring about is encouraging and it is felt that the rate of increase will this year exceed that of last year.

FINANCING

The financial policy of the Company was discussed at considerable length in the annual report for 1927. The essential feature of the program lies in the fact that financing is effected primarily through the securities of the parent company instead of through the securities of underlying operating companies. The policy followed by the Associated Company has three distinct advantages:

1. It provides a wider diversification of business and earnings for the securities of the Company.
2. By substituting parent company securities for underlying company securities, the earnings are more directly applicable to the securities of the parent company.
3. Because of the many operating units geographically diversified within a large system of properties, the individual security issues are far larger and consequently have wider distribution and greater marketability than those of an individual operating unit in a restricted area.

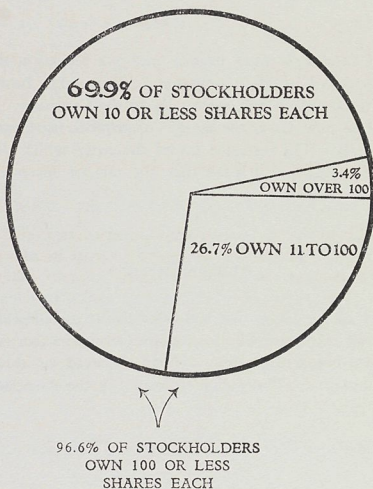
ASSOCIATED GAS and ELECTRIC SYSTEM

The far-sighted unique policy instituted by the Associated management in 1922 has been consistently followed, and the program was discussed in detail in the last annual report. The excellent results and the great strengthening of the financial position of the Company is indicated by the following two facts:

1. Associated bonds have, since early 1927, been selling on a rapidly decreasing yield basis. Financing during 1928 was done with $4\frac{1}{2}\%$ and 5% bonds as against $5\frac{1}{2}\%$ bonds the year before.
2. There was a very material reduction in mortgage and secured debt, with a consequent strengthening of the financial position and borrowing capacity of the Company.

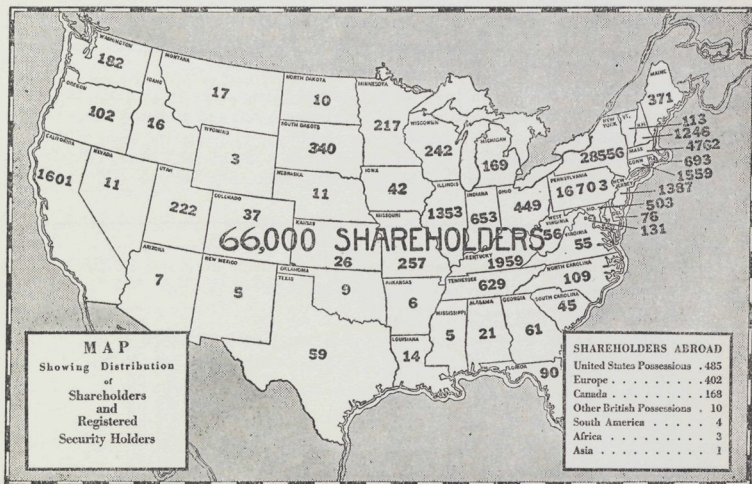
As a consequence of this policy a broader interest in the securities of the Company developed.

The wide distribution of holdings resulting is graphically illustrated by the following chart:



That the shareholders of the Associated System are not residents alone of the financial sections of the eastern states nor of the territories served by the System is graphically illustrated in the following map which shows the shareholders by states throughout the United States, as well as the number of holders in foreign countries, indicating a wide geographical distribution. Many hundreds of foreign holders also, of course, keep their holdings in the names of domestic banks and bankers. A tabulation of the geographical distribution of shareholders appears on the last page of this report.

ASSOCIATED GAS and ELECTRIC SYSTEM



The Associated financing policy, as described in the last annual report, was widely and favorably commented upon. The following excerpts are quoted from an editorial appearing in the August 29, 1928, issue of the *London Financial Times*, a leading financial authority of Great Britain:

"The effects of this new policy are seen in the improved terms upon which the parent company has been able to obtain financial accommodations for its various subsidiary enterprises. Whereas the present management, on its assumption of office in 1925, had to issue Six and One-Half Per Cent Bonds, it has recently been able to finance the major portion of its requirements by the issue of bonds carrying 2 per cent less interest.

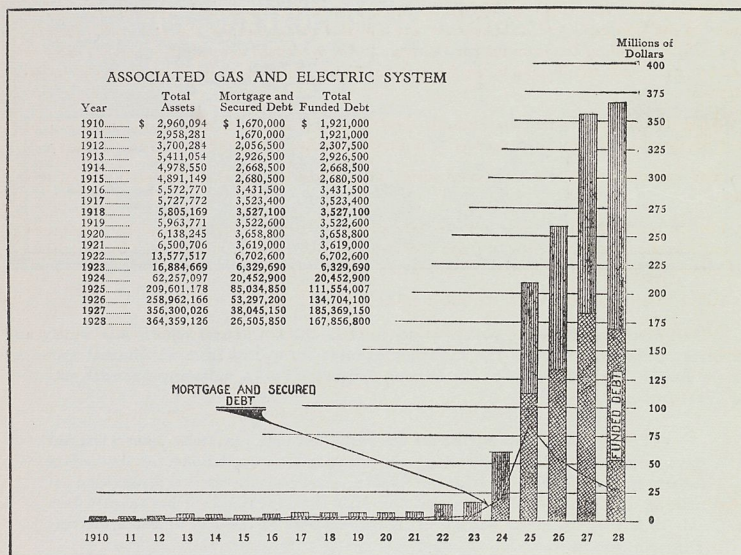
"The net result of this concentration of financing operations in the hands of the parent company has been to facilitate the acquisition of new properties, and by a process of unification to cheapen and extend the services supplied to its hundreds of thousands of customers. It is an example well worthy of study by public utility enterprises in this country, as the more favorable terms on which they can obtain fresh capital the greater will be their opportunities for extending their useful, and at the same time profitable, activities."

ASSOCIATED GAS and ELECTRIC SYSTEM

The following excerpt appeared, August 25, 1928, in the Paris edition of the *New York Herald*:

"Simplification of the corporate structure of the system marked a radical departure from the policy of nearly all other large public utility groups.

"The Associated System has now carried out a new policy in financing large utility systems under which the issues of underlying bonds and preferred stocks of operating subsidiaries have been reduced to a minimum and instead the credit of the parent company has been built up to the point where it can obtain all the new capital needed for its operating companies through the issuance of its own securities."



The financing program during 1928 included the issue early in the year of \$20,000,000 Associated Electric $4\frac{1}{2}\%$ bonds due 1953, \$63,000,000 Convertible Debenture bonds $4\frac{1}{2}\%$ due 1948, \$35,000,000 Consolidated and Refunding 5% bonds due 1968 and \$19,000,000 of Ten-Year $5\frac{1}{2}\%$ Investment Certificates.

The Associated financial policy was actively continued during 1928, with the result that \$120,000,000 of securities were called or exchanged for parent company securities, including the \$65,000,000 $5\frac{1}{2}\%$ Bonds issued in 1926. These were replaced for the most part by securities bearing a $4\frac{1}{2}\%$ coupon.

ASSOCIATED GAS and ELECTRIC SYSTEM

At the time that this report is written the Company has made a number of large acquisitions of which the stockholders are being apprised currently. The full effects of these acquisitions upon the financial structure will not be apparent until later and will be set forth in the next annual report.

FINANCIAL AND COMPARATIVE FINANCIAL STATEMENT

The books of account of the Company (as has been customary for many years heretofore) have been audited by Messrs. Haskins & Sells, Certified Public Accountants, whose certificate is appended hereto as part of this report.

Immediately following the Certificate are set forth the condensed consolidated income account of the Company and its subsidiary and affiliated companies for the year ended December 31, 1928, showing the earnings for the year, and a condensed consolidated balance sheet at December 31, 1928, which reflects the financial condition at that date, both as referred to in the Certificate.

As is customary, on the page immediately following the text of this report there will be found comparative consolidated income accounts for the five years 1924 to 1928, inclusive.

Also appended will be found comparative consolidated balance sheets for each year of this period.

For the information of those who are interested in a corporate statement of the Associated Gas and Electric Company, there are also included, for like periods, Associated Gas and Electric Company Comparative Income Accounts and Balance Sheets.

All of these statements reflect the rapid growth of the Company.

An attractive map, in colors, of the territory served has been prepared and will be sent on request.

Respectfully submitted,

FOR THE BOARD OF DIRECTORS,

J. I. MANGE,

President.

May 23, 1929.

ASSOCIATED GAS and ELECTRIC SYSTEM

COMPARATIVE CONSOLIDATED INCOME ACCOUNT OF COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES ONLY SINCE DATES OF ACQUISITION

	Calendar Years				
	1924	1925	1926	1927	1928
GROSS EARNINGS:					
Electric	\$4,496,650.05	\$14,358,261.14	\$21,504,148.71	\$23,302,139.58	\$24,531,431.00
Gas	668,857.95	1,209,817.34	2,188,593.13	4,147,801.08	4,490,146.54
Water, Transportation, Heat and Miscellaneous	147,109.71	3,108,809.30	4,370,284.09	3,873,346.21	3,335,535.77
TOTAL	\$5,312,617.71	\$18,676,887.78	\$28,063,025.93	\$31,323,286.87	\$32,357,113.31
OPERATING EXPENSES, MAINTENANCE AND TAXES.....	3,497,206.47	11,080,384.03	15,521,978.16	18,264,654.74	18,290,276.40
NET EARNINGS	\$1,815,411.24	\$ 7,596,503.75	\$12,541,047.77	\$13,058,632.13	\$14,066,836.91
OTHER INCOME	345,955.33	774,259.09	1,220,262.03	3,973,454.32	3,934,755.50
GROSS INCOME	\$2,161,366.57	\$ 8,370,762.84	\$13,761,309.80	\$17,032,086.45	\$18,001,592.41
LESS FIXED CHARGES AND OTHER DEDUCTIONS OF SUBSIDIARY AND AFFILIATED COMPANIES	820,468.27	3,101,883.03	5,615,965.27	5,650,613.48	3,389,810.10
BALANCE	\$1,340,898.30	\$ 5,268,879.81	\$ 8,145,344.53	\$11,381,472.97	\$14,611,782.31
FIXED CHARGES AND OTHER DEDUCTIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY:					
Interest on Funded Debt.....	\$ 148,568.46	\$ 971,924.71	\$ 1,904,988.85	\$ 2,893,426.54	\$ 4,978,479.74
Interest on Floating Debt.....	79,486.60	505,322.27	413,517.95	530,662.93	1,117,416.20
TOTAL FIXED CHARGES OF AS- SOCIATED GAS AND ELECTRIC COMPANY	\$ 228,055.06	\$ 1,477,246.98	\$ 2,318,506.80	\$ 3,424,089.47	\$ 6,095,895.94
NET INCOME AVAILABLE FOR RENEWALS AND REPLACEMENT RESERVES, DIVIDENDS AND SURPLUS	\$1,112,843.24	\$ 3,791,632.83	\$ 5,826,837.73	\$ 7,957,383.50	\$ 8,515,886.37
DIVIDENDS ON PREFERRED STOCK	284,371.75	828,673.77	1,662,153.57	3,453,507.02	3,512,636.95
BALANCE	\$ 828,471.49	\$ 2,962,959.06	\$ 4,164,684.16	\$ 4,503,876.48	\$ 5,003,249.42
LESS: RESERVED FOR RENEWALS AND REPLACEMENTS	289,414.19	1,036,112.55	1,627,193.10	1,698,731.00	1,830,454.52
BALANCE FOR FURTHER DIVI- DENDS AND SURPLUS.....	\$ 539,057.30	\$ 1,926,846.51	\$ 2,537,491.06	\$ 2,805,145.48	\$ 3,172,794.90
DEDUCT—CLASS A PRIORITY DIVIDEND \$2.00 PER SHARE..	*	456,496.19	607,760.13	975,714.08	1,473,118.93
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SUR- PLUS	—	\$ 1,470,350.32	\$ 1,929,730.93	\$ 1,829,431.40	\$ 1,699,675.97

* Class A not issued.

ASSOCIATED GAS and ELECTRIC SYSTEM

*Condensed Consolidated Statement
of Capital Receipts and Capital Disbursements*
ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES
December 31, 1927 to December 31, 1928

CAPITAL RECEIPTS

CASH BALANCE AT DECEMBER 31, 1927.....			\$ 5,717,510.94
BALANCE OF UNDISTRIBUTED EARNINGS—TRANSFERRED TO SURPLUS.....			1,099,675.97
INCREASE IN OPTIONAL AND OTHER RESERVES.....			270,392.13
CAPITAL ISSUES INCLUDING CONVERSIONS AND EXCHANGES:			
STOCK:			
Common	72,792 shares	\$ 2,161,909.69	
Class "A"	544,737 shares	19,217,428.41	
Preferred Stock—\$5 Dividend	5,840 shares	584,000.00	\$21,963,338.10
FUNDED DEBT OF COMPANY:			
4½ % Convertible Gold Debentures		\$37,746,266.00	
5 % Consolidated Refunding Gold Debenture Bonds, due 1968		35,003,755.00	
5½ % Investment Certificates		17,933,920.00	
6 % Convertible Debentures		3,373,894.44	94,057,835.44
FUNDED DEBT OF SUBSIDIARIES:			
4½ % Bonds of Associated Electric Company, due 1953		\$10,405,000.00	
Funded Debt Assumed on Properties Acquired.....		124,700.00	10,529,700.00 126,550,873.54
UNFUNDED DEBT:			
Notes Payable			1,176,771.38
DECREASE IN INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES.....			7,540,497.78
INCREASE OF CURRENT LIABILITIES OVER CURRENT ASSETS			3,296,038.17
TOTAL CAPITAL RECEIPTS			<u>\$145,651,759.91</u>

CAPITAL DISBURSEMENTS

INCREASE IN PLANT, PROPERTY, FRANCHISES, COST OF ACQUIRING CAPITAL, ETC.....		\$11,468,036.16	
LESS—RETIREMENTS, ETC.		5,689,384.98	
NET INCREASE			\$ 5,778,651.18
CAPITAL SECURITIES RETIRED THROUGH REDEMPTION, CONVERSION OR PURCHASE:			
COMPANY:			
PREFERRED STOCKS:			
Original Series	45,428 shares at \$ 50	\$2,271,400.00	
\$7.00 Dividend	54,783 shares at 100	5,478,300.00	
\$6.50 Dividend	69,335 shares at 100	6,933,500.00	
\$6.00 Dividend	31,807 shares at 100	3,180,700.00	\$17,863,900.00
FUNDED DEBT			32,188,413.51 50,052,313.51
SUBSIDIARIES:			
PREFERRED STOCKS (various issues)	54,248 shares	\$4,359,955.00	
COMMON STOCKS (and Applicable Surplus)	66 shares	39,023.75	\$ 4,398,978.75
FUNDED DEBT			65,747,150.00 70,146,128.75
CONTRACTUAL OBLIGATIONS			407,240.19
UNAMORTIZED DISCOUNT ON FUNDED DEBT			7,296,279.99
DISCOUNTS, COMMISSIONS AND EXPENSES ON SECURITIES ISSUED AND PREMIUMS, EXPENSES, ETC., ON SECURITIES RETIRED, WRITTEN OFF AGAINST SURPLUS*.....			4,957,502.58
TOTAL CAPITAL DISBURSEMENTS			<u>\$138,638,116.20</u>
CASH BALANCE AT DECEMBER 31, 1928.....			7,013,643.71
TOTAL CAPITAL DISBURSEMENTS			<u>\$145,651,759.91</u>

*In the above statement the Preferred Stocks are stated at par or liquidation values and the Bonds and Debentures at their principal amount.

ASSOCIATED GAS and ELECTRIC SYSTEM

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA

AND IN

LONDON, PARIS, BERLIN, SHANGHAI, MANILA,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

15 BROAD STREET
NEW YORK

May 22, 1929.

Associated Gas and Electric Company,

61 Broadway,
New York.

Dear Sirs:

We have audited the accounts of the Associated Gas and Electric Company for the year ended December 31, 1928, and have been furnished with balance sheets and income accounts of its subsidiary companies, whose accounts we have not audited, and certify that the accompanying Condensed Consolidated Balance Sheet as at December 31, 1928, and Condensed Consolidated Income Account for the year ended that date are in accord therewith.

Yours truly,

Haskins Sells

ASSOCIATED GAS and ELECTRIC SYSTEM

Condensed Consolidated Income Account of ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

For the year ended December 31, 1928

Income for Companies acquired during the year is included only
from approximate dates of acquisition to December 31, 1928

OPERATING REVENUE:		
Electric	\$24,531,431.00	
Gas	4,490,146.54	
Water, Transportation, Heat and Miscellaneous	3,335,535.77	
TOTAL		\$32,357,113.31
OPERATING EXPENSES, MAINTENANCE AND TAXES (including Companies' Accruals for 1928 Federal Income Taxes)		
		18,290,276.40
OPERATING INCOME		\$14,066,836.91
OTHER INCOME		3,934,755.50
GROSS INCOME		\$18,001,592.41
LESS—Fixed Charges and Other Deductions:		
Subsidiary and Affiliated Companies:		
Interest on Funded and Unfunded Debt (less Interest During Construction)	\$ 3,207,595.38	
Preferred Stock Dividends	178,886.37	
Deduction by Company for Income applicable to Common Stocks of Subsidiary and Affiliated Com- panies held by the Public	3,328.35	3,389,810.10
BALANCE		\$14,611,782.31
Associated Gas and Electric Company:		
Interest on Funded and Unfunded Debt		6,095,895.94
BALANCE		\$ 8,515,886.37
PREFERRED STOCK DIVIDENDS		3,512,636.95
BALANCE		\$ 5,003,249.42
PROVISION FOR RENEWALS, REPLACEMENTS AND RE- TIREMENTS (Depreciation)		
		1,830,454.52
BALANCE		\$ 3,172,794.90
DEDUCT—Class "A" Priority Dividends \$2.00 per share		1,473,118.93
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SURPLUS		\$1,699,675.97

No charge for amortization of bond discount, premiums, and expenses has been included in the above statement. All such discounts, premiums and expenses at December 31, 1927, were written off against capital surplus. The amount of amortization that would ordinarily have been charged against income for the year 1928 has been charged against corporate surplus, and the part thereof applicable to bonds issued in prior years has been credited to capital surplus.

ASSOCIATED GAS and ELECTRIC SYSTEM

Condensed Consolidated Balance Sheet of
ASSOCIATED GAS AND ELECTRIC COMPANY
 AND SUBSIDIARY COMPANIES
December 31, 1928

ASSETS SIDE

PLANT, PROPERTY, FRANCHISES AND COST OF ACQUIRING CAPITAL.....		\$242,091,175.42
INVESTMENTS (Principally Investments in and Advances to Subsidiary and Affiliated Companies not included in the Consolidation)		52,730,718.67
<hr/>		
CURRENT ASSETS:		
Cash	\$6,883,938.70	
Special Deposits	129,705.01	\$7,013,643.71
Notes Receivable		147,694.28
Accounts Receivable:		
Consumers	\$2,599,244.54	
Miscellaneous	936,063.86	3,535,308.40
Due from Subscribers for Stocks and for Obligations Convertible into Stock		2,923,586.00
Materials and Supplies		2,555,911.57
TOTAL CURRENT ASSETS		16,176,143.96
SINKING FUNDS FOR RETIREMENT OF BONDS.....		39,638.30
DEFERRED CHARGES:		
Prepaid Expenses	\$ 434,436.44	
Miscellaneous Items in Suspense.....	1,059,775.84	
Unamortized Debt Discount and Expense.....	7,296,279.99	
TOTAL DEFERRED CHARGES		8,790,492.27
TOTAL		\$319,828,168.67

ASSOCIATED GAS and ELECTRIC SYSTEM

Condensed Consolidated Balance Sheet of
ASSOCIATED GAS AND ELECTRIC COMPANY
 AND SUBSIDIARY COMPANIES
December 31, 1928

LIABILITIES SIDE AND CAPITAL

CAPITAL STOCK AND SURPLUS:

Associated Gas and Electric Company:

Preferred Stocks—Stated at Liquidation Values.....	\$39,373,538.50	
Class A and B Stocks—Liquidation Values, and Common Stock—Capital and Surplus.....	60,833,064.40	\$100,206,602.90

Subsidiary Companies:

Preferred Stocks—Stated at Liquidation Values.....	\$ 145,015.00	
Common Stocks and Surplus Applicable Thereto.....	3,400.00	148,415.00

TOTAL CAPITAL STOCK AND SURPLUS.....	\$100,355,017.90
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OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION.....	16,332,548.43
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FUNDED DEBT:

Associated Gas and Electric Company:

5½ % Investment Certificates	\$17,933,920.00	
5½ % Convertible Gold Debentures due 1977.....	16,077,000.00	
5 % Gold Debenture Bonds—First and Refunding due 1968	35,003,755.00	
4½ % Gold Debenture Bonds due 1948.....	37,746,266.00	
Other	108,600.00	\$106,869,541.00

Subsidiary Companies' Bonds Held by Public.....	44,635,050.00
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TOTAL FUNDED DEBT	151,504,591.00
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PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS.....	1,986,483.81
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DUE TO SUBSIDIARY AND AFFILIATED COMPANIES NOT INCLUDED IN THE CONSOLIDATION	1,313,674.36
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CURRENT LIABILITIES:

Notes Payable	\$ 21,893,837.93	
Accounts Payable	1,439,869.26	
Bonds Called for Redemption.....	1,948,863.00	
Accrued Accounts:		
Dividends, Interest and Miscellaneous.....	3,521,729.62	
Taxes, including Companies' Accruals for Federal Income Tax for the Year 1928	1,610,466.41	

TOTAL CURRENT LIABILITIES	30,414,766.22
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CONSUMERS' DEPOSITS	1,950,523.59
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RESERVES:

Renewals, Replacements and Retirement of Property.....	\$14,439,574.63	
Other Reserves	1,530,988.68	

TOTAL RESERVES	15,970,563.31
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TOTAL	\$319,828,168.62
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ASSOCIATED GAS and ELECTRIC SYSTEM

Comparative Consolidated Balance Sheet of
ASSOCIATED GAS AND ELECTRIC COMPANY
 AND SUBSIDIARY AND AFFILIATED COMPANIES
December 31, 1924 to 1928 inclusive

ASSETS SIDE

CAPITAL ASSETS:	1924	1925	1926	1927	1928
Plant, Property, Franchises and Cost of Acquiring Capital.....	\$52,885,211.29	\$185,337,470.65	\$231,258,132.70	\$236,312,524.24	\$242,091,175.42
Investments (Including Investments in and Advances (net) to Subsidiary and Affiliated Companies not included in the Consolidation)	1,403,560.91	4,357,867.51	1,248,851.98	58,957,542.09	51,417,044.31*
TOTAL CAPITAL ASSETS.....	\$54,288,772.20	\$189,695,338.16	\$232,506,984.68	\$295,270,066.33	\$293,508,219.73
CURRENT ASSETS:					
Cash, Call Loans and Special Deposits	4,074,005.19	4,031,089.84	9,047,200.91	5,717,510.94	7,013,643.71
Notes Receivable	164,057.28	117,564.22	34,512.47	589,254.58	147,694.28
Accounts Receivable:					
Consumers, less reserve.....	1,581,412.83	2,482,119.48	3,083,753.04	2,853,844.96	2,599,244.54
Miscellaneous	5,780.58	341,613.54	1,305,085.40	704,531.58	936,063.86
Due from Subscribers for Stocks and for Obligations Convertible into Stock	524,811.47	8,955,974.46	4,919,754.46	3,077,525.00	2,923,586.00
Materials and Supplies.....	1,100,900.86	3,078,148.02	3,164,174.97	2,926,419.38	2,555,911.57
TOTAL CURRENT ASSETS.....	\$ 7,450,968.21	\$ 19,006,509.56	\$ 21,554,481.25	\$ 15,869,086.44	\$ 16,176,143.96
SINKING FUNDS FOR RETIREMENT OF BONDS	—	145,434.11	184,215.99	81,356.48	39,638.30
DEFERRED CHARGES:					
Prepaid Expenses	108,373.56	331,272.30	477,361.97	457,283.20	434,436.44
Miscellaneous Items in Suspense.....	408,983.04	422,623.74	438,525.75	1,023,889.72	1,059,775.84
Unamortized Debt Discount and Expense	—	—	—	—	7,296,279.99
TOTAL DEFERRED CHARGES...	\$ 517,356.60	\$ 753,896.04	\$ 915,887.72	\$ 1,481,172.92	\$ 8,790,492.27
TOTAL ASSETS SIDE.....	\$62,257,097.01	\$209,601,177.87	\$255,161,569.64	\$312,701,682.17	\$318,514,494.36

* Stated net for purposes of comparison with previous years.

ASSOCIATED GAS and ELECTRIC SYSTEM

Comparative Consolidated Balance Sheet of
ASSOCIATED GAS and ELECTRIC COMPANY
 AND SUBSIDIARY AND AFFILIATED COMPANIES
December 31, 1924 to 1928 inclusive

LIABILITIES SIDE AND CAPITAL

	1924	1925	1926	1927	1928
CAPITAL STOCK AND SURPLUS:					
Preferred Stocks—Stated at Liquidation Values	\$ 5,151,450.00	\$ 14,116,550.00	\$ 42,974,060.00	\$ 56,653,350.00	\$ 39,373,538.50
Class A and B Stocks—Liquidation Values, and Common Stock—Capital and Surplus	8,658,783.02	20,559,412.45	36,221,875.60	43,311,641.41	60,833,064.40
TOTAL CAPITAL STOCK AND SURPLUS	\$13,810,233.02	\$ 34,675,962.45	\$ 79,195,935.60	\$ 99,964,991.41	\$100,206,602.90
SUBSIDIARY AND AFFILIATED COMPANIES' STOCKS OUTSTANDING:					
Preferred Stocks	2,608,500.00	15,875,420.00	6,415,200.00	4,504,970.00	145,015.00
Common Stocks and Surplus Applicable Thereto	3,797,782.01	6,303,080.52	8,207.43	42,423.75	3,400.00
TOTAL SUBSIDIARY AND AFFILIATED COMPANIES' STOCKS OUTSTANDING	\$ 6,406,282.01	\$ 22,178,500.52	\$ 6,423,407.43	\$ 4,547,393.75	\$148,415.00
OBLIGATIONS WHICH ARE CONVERTIBLE INTO STOCK AT BOTH THE COMPANY'S AND HOLDERS' OPTION	230,600.00	26,519,157.50	16,407,900.00	17,396,167.50	16,332,548.43
FUNDED DEBT:					
Associated Gas and Electric Company	4,000,000.00	14,172,700.00	8,527,600.00	43,936,500.00	106,869,541.00
Subsidiary and Affiliated Companies	16,452,900.00	70,862,150.00	109,768,600.00	99,852,500.00	44,635,050.00
TOTAL FUNDED DEBT	\$20,452,900.00	\$ 85,034,850.00	\$118,296,200.00	\$143,789,000.00	\$151,504,591.00
PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS	5,799,417.44	11,377,576.25	1,385,827.00	2,393,724.00	1,986,483.81
CURRENT LIABILITIES:					
Notes Payable	6,170,900.79	8,415,077.38	8,097,316.67	20,717,066.55	21,893,837.93
Accounts Payable	1,261,632.67	1,935,201.00	2,806,616.43	1,400,721.82	1,439,869.26
Bonds Called for Redemption	—	—	—	—	1,948,863.00
Accrued Interest, Dividends and Miscellaneous Accounts	462,565.88	1,874,964.65	2,811,117.23	3,469,747.48	3,521,729.62
Accrued Taxes	419,829.70	746,079.24	1,232,918.12	1,461,324.66	1,610,466.41
TOTAL CURRENT LIABILITIES	\$ 8,314,929.04	\$ 12,971,322.27	\$ 14,947,968.45	\$ 27,048,860.51	\$ 30,414,766.22
CONSUMERS' DEPOSITS	627,228.41	1,218,991.37	1,648,526.35	1,861,373.82	1,950,523.59
RESERVES:					
Renewals, Replacements and Retirement of Property	5,302,581.32	12,319,507.83	14,279,659.45	12,702,032.63	14,439,574.63
Other Reserves	1,312,925.77	3,305,309.68	2,576,145.36	2,998,138.55	1,530,988.68
TOTAL RESERVES	\$ 6,615,507.09	\$ 15,624,817.51	\$ 16,855,804.81	\$ 15,700,171.18	\$ 15,970,563.31
TOTAL LIABILITIES SIDE AND CAPITAL	\$62,257,097.01	\$209,601,177.87	\$255,161,569.64	\$312,701,682.17	\$318,514,494.36

ASSOCIATED GAS and ELECTRIC SYSTEM

Comparative Condensed Income Accounts of ASSOCIATED GAS AND ELECTRIC COMPANY

For years ended December 31st

	1924	1925	1926	1927	1928
GROSS INCOME (Excluding non-recurring income items)	\$ 1,006,236.92	\$ 3,432,253.26	\$ 6,080,082.71	\$ 8,876,400.64	\$ 12,676,316.99
INCOME CHARGES:					
Interest on Funded Debt.....	148,568.46	644,583.83	1,184,297.83	2,548,432.45	4,122,600.41
Interest on Unfunded Debt.....	74,004.59	494,353.45	414,006.87	541,822.68	1,118,373.30
Interest on Convertible Obligations*	8,926.95	349,123.66	729,118.67	344,994.09	959,004.33
TOTAL INCOME CHARGES.....	\$ 231,500.00	\$ 1,488,060.94	\$ 2,327,423.37	\$ 3,435,249.22	\$ 6,199,978.04
NET INCOME TRANSFERRED TO SURPLUS	\$ 774,736.92	\$ 1,944,192.32	\$ 3,752,659.34	\$ 5,441,151.42	\$ 6,476,338.95

* Includes interest on Obligations convertible into stock at Company's Option.

ASSOCIATED GAS and ELECTRIC SYSTEM

Comparative Balance Sheet of

ASSOCIATED GAS AND ELECTRIC COMPANY

For years ended December 31st

ASSETS SIDE

	1924	1925	1926	1927	1928
INVESTMENTS, CAPITAL ASSETS AND ADVANCES TO ASSOCIATED COM- PANIES	\$21,146,694.77	\$ 84,235,953.49	\$ 98,258,175.81	\$178,975,965.45	\$246,261,809.50
CURRENT ASSETS:					
Cash and Call Loans	1,742,515.90	1,161,777.34	6,036,256.66	4,471,411.68	5,805,085.18
Notes and Accounts Receivable from Subscribers and Others	408,695.36	8,902,292.89	6,022,503.46	3,104,881.75	2,923,646.93
TOTAL CURRENT ASSETS	\$ 2,151,211.26	\$ 10,064,070.23	\$ 12,058,760.12	\$ 7,576,293.43	\$ 8,728,732.11
DEFERRED CHARGES:					
Prepaid Accounts	13,275.12	23,783.05	53,147.43	80,709.83	117,391.64
Suspense	47,138.87	83,595.59	304,573.78	457,533.72	224,999.42
Unamortized Debt Discount and Expense					5,347,589.63
TOTAL DEFERRED CHARGES \$	60,413.99	\$ 107,378.64	\$ 357,721.21	\$ 538,243.55	\$ 5,689,980.69
TOTAL ASSETS SIDE	<u>\$23,358,320.02</u>	<u>\$ 94,407,402.36</u>	<u>\$110,674,657.14</u>	<u>\$187,090,502.43</u>	<u>\$260,680,522.30</u>

LIABILITIES SIDE AND CAPITAL

CAPITAL STOCK AND SURPLUS:					
Preferred, Class A and B Stocks, Liquidation Values, and Common Stock—Capital and Surplus	\$14,511,242.12	\$ 36,279,517.11	\$ 77,019,908.84	\$100,503,838.23	\$108,086,387.40
OBLIGATIONS WHICH ARE CONVERT- IBLE INTO STOCK AT BOTH THE COMPANY'S AND HOLDERS' OP- TION	230,600.00	25,956,157.50	16,287,600.00	17,285,674.16	16,332,548.43
FUNDED DEBT	4,000,000.00	14,172,700.00	8,527,600.00	43,936,600.00	109,369,541.00
PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS	—	11,018,201.00	724,683.00	1,749,275.00	1,463,247.03
NOTES PAYABLE	4,425,288.90	5,200,894.56	4,650,000.00	20,535,000.00	21,504,400.00
ACCOUNTS PAYABLE	3,204.36	16,800.72	1,619,950.90	256,951.88	318,983.76
ACCURED DIVIDENDS, INTEREST AND MISCELLANEOUS ACCOUNTS	20,326.05	294,765.46	474,433.80	1,311,122.32	3,597,653.24
RESERVES	167,658.59	1,468,366.01	1,370,480.60	1,512,040.84	7,761.44
TOTAL LIABILITIES SIDE AND CAPITAL	<u>\$23,358,320.02</u>	<u>\$ 94,407,402.36</u>	<u>\$110,674,657.14</u>	<u>\$187,090,502.43</u>	<u>\$260,680,522.30</u>

ASSOCIATED GAS and ELECTRIC SYSTEM

FACTS CONCERNING FUNDED DEBT AND CAPITAL STOCK OF ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARIES

Name	Amount Authorized	Amount Outstanding	Date Payable	Where Payable	Trustees, Transfer Agents or Registrars
Associated Gas & Electric Company					
4½% Convertible Gold Debentures, due 1948.....	Open	\$37,746,266	M&S-1	C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	The New York Trust Company, New York City, Trustee
4½% Gold Debenture Bonds, due 1958.....	100,000,000	69,600	M&N-1	C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	The Chase National Bank of the City of New York, Trustee
5% Gold Debenture Bonds, due 1968.....	100,000,000	35,003,755	A&O-1	C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	Guaranty Trust Company of New York, Trustee.
5% Gold Debenture Bonds, Series of 1928.....	Open	39,000	J&J-1	C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	The Chase National Bank of the City of New York, Trustee
5½% Convertible Gold Debentures, due 1977.....	40,000,000	18,577,000	F&A-1	C-H. C. Hopson & Co., Inc., N. Y. C.	The New York Trust Company, New York City, Trustee
5½% Investment Certificates.....	100,000,000	17,933,920	{ M&N-15 FMAN-15	C-Room 2015, 61 Broadway, N. Y. C. R-The Company, Ithaca, N. Y.	Irving Trust Company, New York City
6% Convertible Debenture Certificates.....	50,000,000	11,098,260	{ M&S-1 MJSD-1	C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	Guaranty Trust Company of New York, Registrar F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
6% Convertible Debenture Certificates, Series B.....	{ 10,000,000	{ 841,300	{ J&J-1 J&O-1	C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	Guaranty Trust Company of New York, Registrar
6½% Convertible Debenture Certificates.....		{ 2,021,550	{ J&J-1 J&J-1	C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	Guaranty Trust Company of New York, Registrar
Associated Electric Company					
4½% Gold Bonds, due 1953.....	Open	17,955,000	J&J-1	C-H. C. Hopson & Co., Inc., N. Y. C.	Guaranty Trust Company of New York, Trustee.
Citizens Light, Heat & Power Company of Pennsylvania					
5% 1st Mortgage, due 1934.....	3,000,000	1,303,000	M&N-1	C-Harris, Forbes & Co., N. Y. and Boston C-Harris Trust & Savings Bank, Chicago	United States Mortgage & Trust Co., New York, Trustee
Erie Lighting Company					
5% 1st Mortgage, due 1967.....	6,000,000	3,549,500	A&O-1	C-Pa. Co. for Ins. on Lives & Gr. Ann. C-Pennsylvania Company for Insurances on Lives & Granting Annuities, Phila., Pa.	Pennsylvania Company for Insurances on Lives & Granting Annuities, Phila., Pa.
Indiana Gas Utilities Company					
5% 1st Mortgage, due 1946.....	Open	1,014,000	J&J-1	C-Harris, Forbes & Co., N. Y. and Boston	Guaranty Trust Company of New York, Trustee.

Long Island Water Corporation 5½% 1st Mortgage, due 1955	Open	2,300,000	M&N-1	C-H. C. Hopson & Co., Inc., N. Y. C.	Guaranty Trust Company of New York, Trustee
The Manila Electric Railroad and Lighting Corporation 5% 1st and Collateral Trust, due 1953	5,000,000	1,744,700	M&S-1	C-H. C. Hopson & Co., Inc., N. Y. C.	The Equitable Trust Company of New York, Trustee
New York State Gas and Electric Corporation 5½% 1st Mortgage, due 1962	Open	3,864,500	A&O-1	C-The Equitable Trust Co. of New York	The Equitable Trust Company of New York, Trustee
Penn Public Service Corporation 6% 1st and Refunding, due 1947	Open	5,312,000	M&N-1	C-First National Bank, New York	Bankers Trust Company, New York, Trustee
Penn Public Service Corporation 5% 1st and Refunding, due 1954	Open	2,707,000	J&D-1	C-H. C. Hopson & Co., Inc., N. Y. C.	Bankers Trust Company, New York, Trustee
Richmond Light & Railroad Company 4% 1st Collateral Trust, due 1952	2,500,000	1,221,000	J&J-1	C-Guaranty Trust Co. of New York	Guaranty Trust Company of New York, Trustee
<hr/>					
Associated Gas & Electric Company Common Stock	1,500,000 sh.	1,313,682 sh.			F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. The Equitable Trust Company of New York, Registrar State Street Trust Company, Boston, Mass., Tfr. Agt. The First National Bank of Boston, Boston, Mass., Registrar
Class A Stock	1,500,000 sh.	791,533 sh.	FMAN-1	The Company, Ithaca, New York	The Seaboard National Bank, New York, Tfr. Agt. F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Guaranty Trust Company, New York, Registrar State Street Trust Company, Boston, Mass., Tfr. Agt. The First National Bank of Boston, Boston, Mass., Registrar Bank of America of California, Los Angeles, Cal., Tfr. Agt. Security First National Bank of Los Angeles, Los Angeles, Cal., Registrar
\$6 Dividend Series Preferred Stock	133,000 sh.	111,577 sh.	MJSD-1	The Company, Ithaca, New York	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. The Chase National Bank of the City of New York, Registrar
\$6.50 Dividend Series Preferred Stock	210,000 sh.	185,591 sh.	MJSD-1	The Company, Ithaca, New York	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Chemical Bank & Trust Co., New York City, Registrar
\$7 Dividend Series Preferred Stock	50,000 sh.	41,453 sh.	JAJO-1	The Company, Ithaca, New York	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. The Bank of America, New York City, Registrar
Original Series Preferred Stock	107,000 sh.	98,547 sh.	JAJO-1	The Company, Ithaca, New York	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Irving Trust Co., N. Y. C., Registrar
<hr/>					
Erie Lighting Company Preference Stock (\$2)	100,000 sh.	3,217 sh.	JAJO-1	Associated Gas & Electric Co., Ithaca	F. E. Taylor, C. A. Dougherty & W. L. Freund, 61 Broadway, N. Y. C., Transfer Agent J. F. McKenna & E. B. Naylor, 61 Broadway, N. Y. C., Registrar
Staten Island Edison Corporation \$6 First Preferred Stock	60,600 sh.	18,921 sh.	JAJO-1	Associated Gas & Electric Co., Ithaca	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Guaranty Trust Company of New York, Registrar

C-Coupon.
R-Registered.

Geographical Distribution of Registered Security Holders

UNITED STATES

Alabama	21	Louisiana	14	Ohio	449
Arizona	7	Maine	371	Oklahoma	9
Arkansas	6	Maryland	503	Oregon	102
California	1,601	Massachusetts	4,762	Pennsylvania	16,703
Colorado	37	Michigan	169	Rhode Island	693
Connecticut	1,559	Minnesota	217	South Carolina	45
Delaware	76	Mississippi	5	South Dakota	340
Dist. of Columbia	131	Missouri	257	Tennessee	629
Florida	90	Montana	17	Texas	59
Georgia	61	Nebraska	11	Utah	222
Idaho	16	Nevada	11	Vermont	113
Illinois	1,353	New Hampshire	1,246	Virginia	55
Indiana	653	New Jersey	1,387	Washington	182
Iowa	42	New Mexico	5	West Virginia	56
Kansas	26	New York	28,556	Wisconsin	242
Kentucky	1,959	North Carolina	109	Wyoming	3
		North Dakota	10		
		Total	65,190		

FOREIGN COUNTRIES AND UNITED STATES' POSSESSIONS

Africa	3	China	1	Philippine Islands	12
Alaska	2	Denmark	1	Prince Edward	
Bahama Islands	1	England	153	Island	1
Belgium	1	France	2	Scotland	9
Bermuda	6	Germany	3	Spain	1
Brazil	1	Hawaii	3	Switzerland	6
Canada	167	Holland	216	Venezuela	2
Canal Zone	2	Ireland	5	Wales	2
Channel Islands	2	Italy	3	West Indies	5
		Manila	462		
		Peru	1		
		Grand Total	66,263		

ASSOCIATED GAS and ELECTRIC COMPANY



Annual Report of the Board of Directors
to the Stockholders
for the Year ended December 31, 1929

Organization of the
Associated Gas and Electric Company

(Incorporated under the laws of the State of New York in 1906)

Officers

J. I. MANGE, <i>Chairman and President</i>	New York
H. C. HOPSON, <i>Vice-President and Treasurer</i>	New York
S. J. MAGEE, <i>Vice-President and General Manager</i>	New York
J. M. DALY, <i>Vice-President</i>	New York
O. E. WASSER, <i>Comptroller and Assistant Secretary-Treasurer</i>	Ithaca, N.Y.
M. C. O'KEEFE, <i>Secretary and Assistant Treasurer</i>	New York

Directors

CHARLES W. BEALL New York Harris, Forbes & Company	SANFORD J. MAGEE New York Vice-President and General Manager
WILLIAM BUCHSBAUM New York Vice-President, Barstow-Tyng & Company	JOHN I. MANGE New York Chairman and President
FREDERICK S. BURROUGHS New York Harris, Forbes & Company	GEORGE W. OLMSTEAD Ludlow, Penna. Vice-President, Long Island Lighting Company
JOHN M. DALY New York Vice-President	ELLIS L. PHILLIPS New York President, Long Island Lighting Company
HOWARD C. HOPSON New York Vice-President and Treasurer	DANIEL STARCH New York Daniel Starch and Staff

FINANCIAL OFFICE, 61 Broadway, New York City
PRINCIPAL OFFICE Ithaca, New York

MANAGERS—OPERATING PROPERTIES

THE J. G. WHITE MANAGEMENT CORPORATION

THE UTILITY MANAGEMENT CORPORATION

33 LIBERTY STREET, NEW YORK CITY

Annual Report

of

ASSOCIATED GAS AND ELECTRIC COMPANY

For the Year Ended December 31, 1929

HISTORICAL NOTE

THE ASSOCIATED GAS AND ELECTRIC SYSTEM had its inception with the establishment of the Ithaca Gas Light Company in Ithaca, New York, in 1852. This was an isolated company for over fifty years, when its owners became interested in and secured control of, several other electric and gas properties in the south central part of New York State. The group of properties thus united in a common ownership came to be known as "The Associated Gas and Electric Companies," and these properties formed the nucleus around which the Associated Gas and Electric System has grown. The original Associated Companies are still part of the Associated System. In 1906 the owners of these properties organized the Associated Gas and Electric Company under the laws of New York State. The Associated Companies were thus among the earliest public utility companies in the country to adopt centralized management. In 1926 the New England Gas and Electric Association was formed which, with the Associated Gas and Electric Company, comprises the two principal units of the Associated System.

TO THE STOCKHOLDERS:

NORMAL growth coupled with acquisitions of properties during 1929 doubled the number of customers served and more than doubled the earnings and assets of the Associated Gas and Electric System. It supplies electricity, gas, water and other public services to 1,368,861 customers in territories with a population of 5,300,000. The 2,300 communities served are located in 26 states in the United States, the Maritime Provinces of Canada and the Philippine Islands, as follows:

Arizona
Arkansas
Connecticut
Delaware
Florida
Illinois
Indiana
Kentucky

Louisiana
Maine
Maryland
Massachusetts
Missouri
New Hampshire
New Jersey
New Mexico

New York
Ohio
Oklahoma
Pennsylvania
South Carolina
South Dakota
Tennessee

Texas
Vermont
West Virginia
—
New Brunswick
Nova Scotia
Prince Edward Island
Philippine Islands

Among the acquisitions of new properties during the year was that of W. S. Barstow & Co., Inc., announced during February. The General Gas & Electric Corporation of this group had gas, electric, water and ice plants in New York, Pennsylvania, New Jersey, South Carolina and Florida, serving 235,942 customers in 1,020 communities with gross earnings during 1928 of \$24,559,568. It is an interesting coincidence that Mr. W. S. Barstow twenty-four years ago participated in the organization of the Associated Gas and Electric Company and served as its first president.

ASSOCIATED GAS and ELECTRIC SYSTEM

During May, announcement was made of the addition to the Associated System of the Rochester Central Power Corporation. This group had been formed the year previously to consolidate the properties of the Rochester Gas and Electric Corporation, the Elmira Water, Light and Railroad Company, the New York Central Corporation, the Mohawk Valley, and the Empire Gas and Electric companies, all in New York State. Including other smaller utilities, this group brought to the Associated System 331,265 gas, electric and steam customers in 200 communities with a population of approximately 835,000.

Furthering its policy of diversified interests in its expansion program, the Associated System announced during October the acquisition of the American Utilities Company. Acquired almost wholly by an exchange of securities, this company added to the System properties supplying principally electricity and gas to 23,094 customers in 95 communities. The more important operating units of this group are in Missouri, Kentucky, Tennessee and Louisiana with smaller properties in Arkansas, Oklahoma, Texas, New Mexico, Arizona, Delaware, Pennsylvania and New York.

The New England Gas & Electric Association of the Associated System during the past year acquired the West Boston Gas Company, the Dedham & Hyde Park Gas Company, and the New Bedford Gas & Edison Light Company. These companies, with annual gross revenues aggregating \$5,506,991, supply gas service to 47,173 customers and electric service to 40,947 customers.

SUMMARY OF PROGRESS IN 1929

The more important indicators of the progress made by the Associated System in all phases of its business during 1929 are summarized below:

Total customers	1,368,861
Increase in customers during 1929.....	733,618
Total gross revenue	\$91,480,596
Increase in gross revenue during 1929.....	117%
Total net revenue.....	\$45,755,674
Increase in net revenue during 1929.....	139%
Increase in electric output during 1929.....	12.9%
Increase in gas send-out during 1929.....	3.7%
Kilowatt hours sold per residential customer.....	431
Increase in K.W.H. per residential customer, 1929.....	12.8%
Proportion of total operating revenue from:	
Electric service	74.7%
Gas service	18.7%
Miscellaneous revenue	6.6%
Appliance sales by New Business Department during 1929.....	\$5,835,880
Increase in appliance sales during 1929.....	53%
Total shareholders and registered security holders.....	190,139
Increase in shareholders during 1929.....	123,876
Customer-ownership department sales and exchanges of securities during 1929	\$56,535,000

ASSOCIATED GAS and ELECTRIC SYSTEM

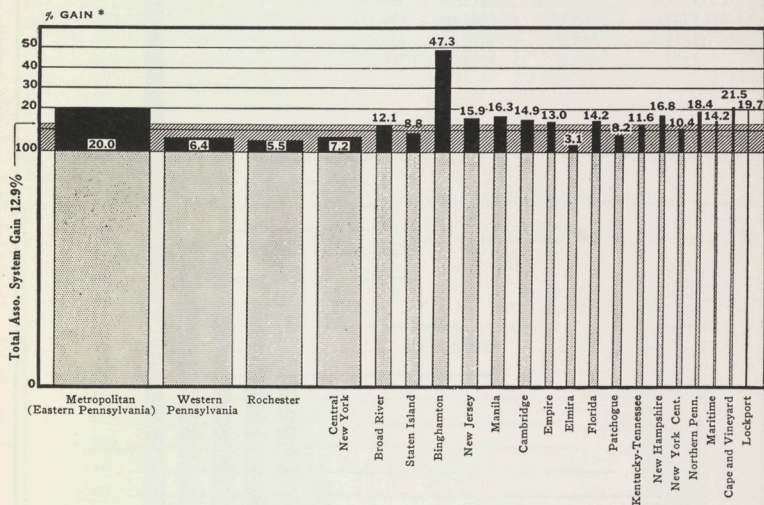
GEOGRAPHICAL DIVERSITY OF AREAS SERVED

Busy eastern and middle western industries; winter resort and fruit growing sections of the South, mining, agricultural areas and populous New England summer resorts provide diversity of geographical location. This diversity results from service to 2,300 communities ranging in size from hamlets to large cities.

The 12.9% average gain in electric output as shown by the chart below illustrates the resulting business stability of such a group as the Associated System. The groups shown by the bars of the chart represent operating divisions which are kept separate for operating convenience and comparison.

ASSOCIATED GAS AND ELECTRIC SYSTEM ELECTRIC OUTPUT

12 Months Ended December 31, 1929



*Scale above 100 represents % gain for 12 months ended December 31, 1929 over 12 months ended December 31, 1928

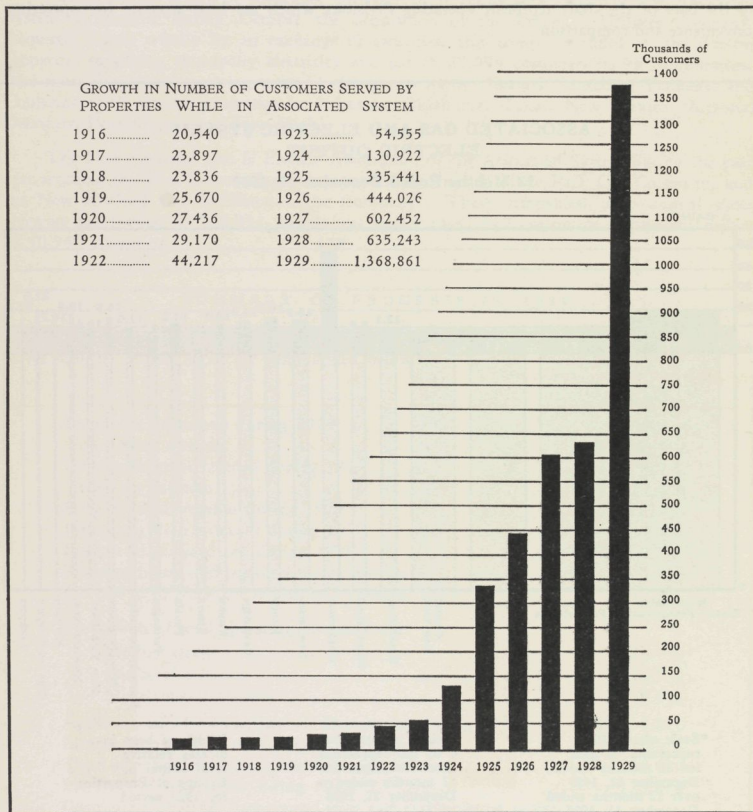
Height of bars from 0 to 100 represents Electric Output for 12 months ended December 31, 1928

Width of bars indicates relative total output of Properties for 1929 period

ASSOCIATED GAS and ELECTRIC SYSTEM

NUMBER OF CUSTOMERS

The following chart shows the number of customers served by the properties of the Associated System at the close of each of the years 1916 to 1929. The customers of acquired properties are first included in the year the property was added.



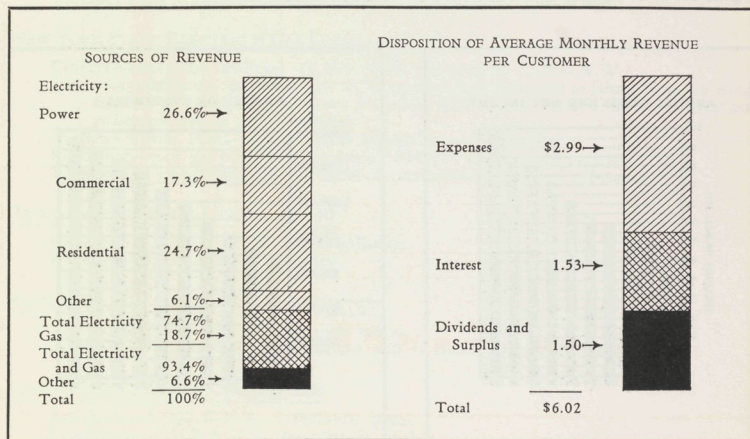
ASSOCIATED GAS and ELECTRIC SYSTEM

EARNINGS

The comparative earnings statement of the System for the twelve months ended February 28, 1930 and 1929 (in the condensed form in which it is published each month) is given below:

	1930	1929	Increase	
			Amount	%
Gross Earnings and Other Income.....	\$98,029,223	\$47,437,778	\$50,591,445	107
Operating Expenses, Maintenance, all Taxes, etc.....	48,769,564	26,174,840	22,594,724	86
Net Earnings	\$49,259,659	\$21,262,938	\$27,996,721	132
Underlying Preferred Dividends and Interest.....	10,729,012	4,032,053	6,696,959	166
Balance	\$38,530,647	\$17,230,885	\$21,299,762	124
All Other Interest.....	16,093,271	7,388,408	8,704,863	118
Balance for Dividends and Depreciation.....	\$22,437,376	\$ 9,842,477	\$12,594,899	128
Provision for Replacements, Renewals and Retirement of Fixed Capital (Depreciation).....	4,766,233	2,885,189	1,881,044	65
Balance for Dividends and Surplus.....	\$17,671,143	\$ 6,957,288	\$10,713,855	154

The following charts show the sources of revenue and the disposition of the average monthly revenue per customer:



ASSOCIATED GAS and ELECTRIC SYSTEM

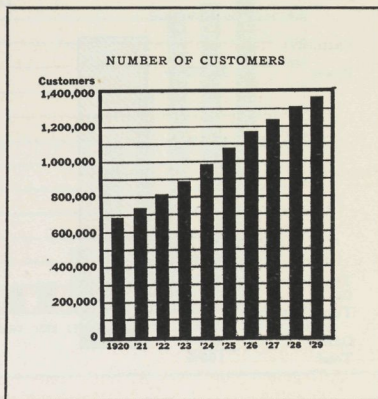
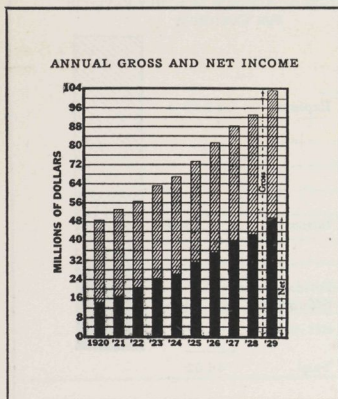
GROWTH OF BUSINESS

The business done by the combined operating units of the Associated Gas and Electric System has shown at all times a rapid and remarkably constant growth. A statement showing earnings and other statistics of all properties now comprising the Associated Gas and Electric System, including the New England Gas and Electric Association Group, and irrespective of the dates when they were first included as part of the System, is shown below:

Dec. 31	Annual Earnings		Sales	Number of Customers	
	Gross	Net*	K. W. H.	Electric	Gas, Water, etc.
1920	\$ 49,410,687	\$14,449,787	1,020,912,328	342,373	344,651
1921	53,301,038	17,195,389	985,365,167	381,238	353,871
1922	56,828,970	20,663,844	1,143,467,323	444,233	369,660
1923	63,638,228	24,325,142	1,348,986,857	513,007	381,288
1924	67,417,018	26,733,159	1,400,942,454	590,692	398,527
1925	73,977,348	31,531,123	1,579,150,849	665,366	416,896
1926	81,646,959	35,652,028	1,854,708,852	736,451	437,490
1927	88,113,621	40,148,195	1,921,527,571	782,887	454,228
1928	93,624,445	43,196,594	2,110,949,196	845,551	465,487
1929	103,556,864	50,282,036	2,372,274,311	896,630	472,231

* Before depreciation.

The following charts show graphically the growth in annual gross and net earnings and the number of customers of properties in the Associated System, irrespective of the dates of acquisition, from 1920 to 1929, as set forth in the above tabulation.



ASSOCIATED GAS and ELECTRIC SYSTEM

CONSTRUCTION AND EXTENSION PROJECTS

Approximately \$34,000,000 was spent for new construction in 1929. This amount provided for various new equipment and replacements throughout the entire System. The more important construction projects were as follows:

New York

BINGHAMTON LIGHT, HEAT & POWER COMPANY

Johnson City to Cortland—110 K.V. transmission line.
Noyes Island—6-2,500 K.V.A. transformers, rotary converter and new substation equipment.
Pa.-N. Y. State Line to Binghamton—110 K.V. transmission line.

ELMIRA WATER, LIGHT & R. R. COMPANY

Elmira to Montour Falls—110 K.V. transmission line.
Hillside substation.

EMPIRE GAS & ELECTRIC COMPANY

Geneva—33 K.V. substation.
Throop to Venice to Scipio—110 K.V. transmission line.

LOCKPORT LIGHT, HEAT & POWER COMPANY

Lockport—1,500 K.V.A. substation.

NEW YORK CENTRAL ELECTRIC CORPORATION

Keuka-Penn Yan—33 K.V. transmission line under construction.
Montour Falls to Bath—110 K.V. transmission line under construction.

NEW YORK STATE ELECTRIC & GAS CORPORATION

Colliers—substation addition (6,000 K.W. increased to 12,000 K.W.).
Ithaca—transmission project—110 K.V. transmission line tie-in to Ithaca from the Binghamton to Cortland line, about 14 miles, with substations at Etna and Ithaca, and switching station at Lapeer.
Deerland Power Plant—Diesel engine installation—240 K.W.
Plattsburg—new gas producing apparatus, 650,000 cu. ft. daily capacity.
Willsboro to Elizabethtown—18 miles of transmission line, and substation.

PATCHOGUE ELECTRIC LIGHT COMPANY

Patchogue—3,000 K.W. turbine installation.
Patchogue—office building extension.

ROCHESTER GAS & ELECTRIC CORPORATION

Clifton Springs to Canandaigua—gas mains.
Rochester—5,000,000 cu. ft. gas holder, and 37 Becker type coke ovens.

STATEN ISLAND EDISON CORPORATION

Arlington—5,000 K.V.A. transformer bank.
Livingston—7,500 K.V.A. transformer bank.

ASSOCIATED GAS and ELECTRIC SYSTEM

Pennsylvania

METROPOLITAN EDISON COMPANY

Middletown—1-12,500 K.V.A. transformer, added to 66 K.V. substation.
York Haven Power Plant—3 water wheels. Changed from 850 K.W. to 1,400 K.W.

NORTHERN PENNSYLVANIA POWER COMPANY

Canton to Towanda—transmission line.
Canton to Le Roy—extension.
Scranton to New York State line—110 K.V. transmission line.

PENNSYLVANIA ELECTRIC COMPANY

Union City—110,000 volt substation—12,000 K.V.A. under construction.
Union City to Warren—38 miles of 110 K.V. transmission line under construction.
Venango to Meadville—12 miles of 33 K.V. transmission line.
Warren substation addition—7,500 K.V.A.—110-33 K.V.
Seward substation—15,000 K.V.A.—66-11 K.V.

New Jersey

NEW JERSEY POWER & LIGHT COMPANY

Holland—114 K.V. substation, 30,000 K.W. on 110 K.V.—33,000 on 33 K.V.
Holland—55,000 K.W. steam plant under construction.
Phillipsburg—30,000 K.W.—33 K.V. substation.
West Wharton to Livingston—15 miles of 110 K.V. transmission line.
West Wharton to Boonton—10 miles of 33 K.V. transmission line.

Massachusetts

WORCESTER GAS LIGHT COMPANY

Worcester—new water gas plant increases daily capacity 7,000,000 cu. ft.
Worcester-Blackstone Valley gas main extension—24 miles.
Worcester—8" gas main loop.
Worcester-Clinton gas main extension—12 miles.
Holliston-Sherborn gas main extension under construction.

Kentucky

KENTUCKY-TENNESSEE LIGHT & POWER COMPANY

Beattyville—transmission line.
Guthrie to Hopkinsville—transmission line.
Mayfield—650 H.P. boiler, 3,500 K.W. turbine, etc.
Russellville—substation and tap line.
Frankfort—1,500 K.W. substation.

Ohio

PORTSMOUTH GAS COMPANY

Portsmouth—office building.

South Carolina

BROAD RIVER POWER COMPANY

Columbia—3-2,000 K.V.A. 60 cycle generators replaced 3-937 K.V.A.-40 cycle generators.
Parr Shoals—third unit—30,000 K.W. turbine, 1,500 H.P. boiler.
Saluda Dam to Lexington—110 K.V. transmission line.

LEXINGTON WATER POWER COMPANY

138,000 K.W. plant under construction.

ASSOCIATED GAS and ELECTRIC SYSTEM

Florida

FLORIDA PUBLIC SERVICE COMPANY

Deland to Altoona—26 miles of 33 K.V. transmission line.

Waverly to Piedmont—about 50 miles of 110 K.V. transmission line.

Philippine Islands

MANILA ELECTRIC COMPANY

Pasay substation to Cavite—13.2 K.V. 3-phase transmission line.

PHILIPPINE NATURAL RESOURCES DEVELOPMENT CORPORATION

Botocan Hydro Development started in September, 1929, capacity to be 17,000 K.W.

OPERATIONS

A condensed comparative consolidated income statement, showing the operating results of the Company and subsidiaries for the calendar years 1929 and 1928, is shown below with figures including earnings and expenses only since date of acquisition for properties added during the year. These figures do not agree with the gross and net earnings shown on pages 4 and 8, which reflect a full year's operation of all the properties in the System at the close of the year nor with page 7 which gives earnings on a System basis instead of for the Associated Gas and Electric Company and subsidiaries only.

	Year Ended December 31, 1929	1928	Amount	Increase %
GROSS EARNINGS (including Other Income).....	\$79,540,913.90	\$36,291,868.81	\$43,249,045.09	119.1
OPERATING EXPENSES, MAINTENANCE, ALL TAXES, ETC.	36,299,957.85	18,290,276.40	18,009,681.45	98.4
	<u>\$43,240,956.05</u>	<u>\$18,001,592.41</u>	<u>\$25,239,363.64</u>	<u>140.2</u>
FIXED CHARGES AND OTHER DEDUCTIONS FROM INCOME:				
Subsidiary and Affiliated Companies.....	\$10,207,317.37	\$ 3,389,810.10	\$ 6,817,507.27	201.1
Associated Gas and Electric Company.....	13,478,617.52	6,095,895.94	7,382,721.58	121.1
	<u>\$23,685,934.89</u>	<u>\$ 9,485,706.04</u>	<u>\$14,200,228.85</u>	<u>149.7</u>
NET INCOME AVAILABLE FOR RENEWALS, REPLACEMENTS, AND RETIREMENT RE- SERVE, DIVIDENDS AND SURPLUS.....	\$19,555,021.16	\$ 8,515,886.37	\$11,039,134.79	129.6
DIVIDENDS ON PREFERRED STOCK.....	3,007,106.57	3,512,636.95	505,530.38 ^d	11.3 ^d
	<u>\$16,547,914.59</u>	<u>\$ 5,003,249.42</u>	<u>\$11,544,665.17</u>	<u>230.9</u>
BALANCE				
PROVISION FOR RENEWALS, REPLACEMENTS, AND RETIREMENTS OF FIXED CAPITAL (DEPRECIATION)	3,371,076.72	1,830,454.52	1,540,622.20	84.2
	<u>\$13,176,837.87</u>	<u>\$ 3,172,794.90</u>	<u>\$10,004,042.97</u>	<u>315.2</u>

^d Decrease.

The consolidated earnings for 1929, as above stated, were equivalent to \$3.64 per share for the priority dividend of \$2 per share on the average number of shares of Class A Stock outstanding during the year.

Deducting the priority distribution of earnings to the Class A and B Stocks of \$2 per share and also the maximum possible additional payment of 50c per share on the Class A and B Stocks before dividends must be declared on the Common Stock (a total of \$2.50 per share for the Class A and B Stocks), the balance available for Common Stock, allowing for participation rights of the other classes, would be equivalent to \$2.26 per share on the average number of shares of Common Stock outstanding during the year.

ASSOCIATED GAS and ELECTRIC SYSTEM

NEW BUSINESS DEPARTMENT

The New Business Department is actively engaged in developing increased use of electricity and gas in territories served. The principal activities of the Department during 1929, with the estimated increase in annual revenue from sales of electricity and gas attributable to each, are as follows:

Power and Industrial Lighting.....	\$2,882,000
Merchandising	1,164,000
Commercial and Street Lighting.....	901,000
Industrial and Commercial Gas.....	380,000
Total	\$5,327,000

The growth of the merchandising division of the department is shown by the figures below:

	1927	1928	1929
Gross sales of electric and gas appliances.....	\$677,825	\$2,544,448	\$5,835,880
Estimated annual revenue from use of appliances sold....	\$218,218	\$ 611,152	\$1,164,000
Number of appliance salesmen at end of period.....	135	227	650
Number of appliance stores.....	52	94	171

The New Business Department in addition to merchandising appliances also maintains a Home Service Division. It assists customers in making economical and complete use of household appliances by means of home demonstrations, lectures, cooking schools and the distribution of recipes. Close cooperation exists with local electrical contractors, plumbers, and independent appliance dealers. Associated System sales plans are made known to such dealers in order that they may plan their activities accordingly and benefit from the advertising and sales promotion carried on. Merchandising campaigns also are carried on in the territory served by rural lines to increase the use of electricity on the farm.

In recognition of the necessity for carrying on an active program for the installation of adequate wiring, close contact is maintained with architects and builders so that wiring in all new buildings and homes will permit full use of electric service.

Commercial, Street and Industrial Lighting Divisions have been created for the purpose of building up the lighting load. These divisions function by making layouts of store, window, office, sign, flood lighting and highway lighting installations.

The Industrial Power Sales Division was established during the year to assist in obtaining increased power business from industrial plants. One contract completed during the year with a large industry formerly operating its own power plants will add an annual gross revenue to the Associated System of nearly \$1,000,000. Electrification of steam railroads also offers an increasingly important source of additional power business. A long term contract was made for furnishing power beginning in the Fall of 1930, to the Delaware, Lackawanna and Western Railroad.

An Industrial and Commercial Gas Sales Division was created to develop further application of gas to industrial processes, to cooking in hotels, restaurants and bakeries and to give particular attention to the development of house heating. A school for house heating salesmen was organized and the first meeting held during the year.

ASSOCIATED GAS and ELECTRIC SYSTEM

The Industrial Development Division, organized in 1928, has a twofold function, that of assisting expanding industries in the territories served and of aiding new businesses to determine the advantages of location in Associated territories. Research is carried on, investigations are made and assistance is offered to local civic bodies and business enterprises. During 1929, new industries brought a connected electric power load of approximately 15,000 K.W. to the System. The expansion of existing industries in the territories added several times this load to the System.

PURCHASING DEPARTMENT

Purchases of all materials and supplies for the use of the Operating, Engineering and Construction Departments of the Associated System, as well as of all appliances sold by the Merchandising Division, are made by a central purchasing department. Standardization of materials and purchasing in large quantities have made possible large savings to the Associated System and to the public it serves. Purchases made by this department during 1929 total \$24,000,000.

Close cooperation is maintained between the purchasing department and the merchandising division to insure obtaining for sale to customers the most serviceable equipment at the lowest possible price. The department endeavors to make all purchases of materials, supplies and equipment as far as possible from persons or corporations who are also gas or electric customers of the Associated Gas and Electric System.

RATE POLICY

The management continued during 1929, its policy of providing inducement types of rates which make possible a more extensive use of electricity and gas by residential and commercial customers. These rates, which in the majority of cases are optional with the customers, are in effect throughout a large part of the area served. They will be installed in other properties as rapidly as practicable.

Study of the new inducement rates under actual operating conditions has made it possible to better adapt these rates to the new properties where they are being installed. It also has led to the modification of established rates in order to make them more attractive.

The new type of rates has been well received by the customers. A large percentage of both electric and gas customers have chosen the new rates under the optional arrangement in preference to the existing rates. Operating statistics show that the new rates coupled with the efforts of the New Business Department have led to a material increase in the kilowatt hour consumption of many of the properties.

EMPLOYEES' STOCK INVESTMENT AND SAVINGS PLAN

The first subscribers to the 1927 Employees' Investment Plan received their stock paid in full during the latter part of 1929. To encourage further investment and to provide an additional opportunity for employees to save out of income, a 1929 Plan was announced in July and put into effect immediately.

Employees were quick to take advantage of this new offer and many of those eligible subscribed under its terms. Like the 1927 Plan the one now in effect provides that all employees of the Company and subsidiary and affiliated organizations may subscribe for Class A Stock for which payment may be made only by deduction from the employee's compensation. The maximum amount of stock for which any employee is permitted to subscribe is

ASSOCIATED GAS and ELECTRIC SYSTEM

limited so that not more than 10% of his compensation may be devoted to payments on stock subscriptions.

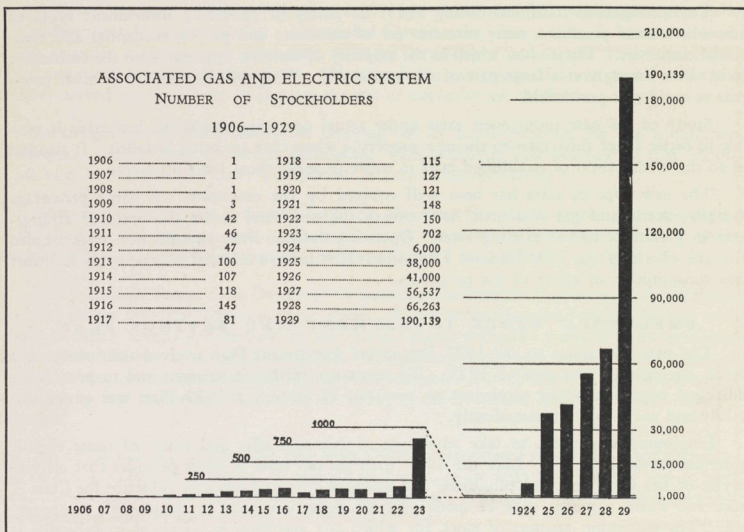
A significant indication of the fact that the Employees' Investment Plan is fulfilling one of the aims of the Associated management is found in the fact that practically all of the employees investing under the 1927 Plan have retained their stock as an investment even though the payments under the Plan have been completed and the stock certificates delivered to them.

Of the eligible employees 85.3 per cent or 10,461 have subscribed to either the 1927 or the 1929 Investment Plan. The total number of shares subscribed is 116,107, the average subscription being 11 shares.

CUSTOMER OWNERSHIP ACTIVITIES

During the eight years of Customer Ownership activity, 73,000 customers served by the Associated Gas and Electric System invested \$70,700,000. 1929 sales by the department totaled \$56,535,000 of which \$37,775,000 represented the sale of securities and the remaining \$18,758,000 exchanges of securities. This compares with security sales of \$13,000,000 by the Customer Ownership Department during 1928.

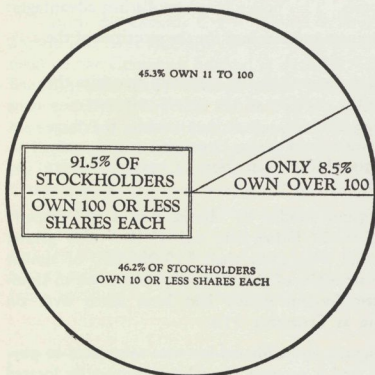
Customer Ownership activities as shown by the 1929 record not only aid in raising new funds but also play a vital part in the simplification of the Associated System's financial structure. At the present time one in every nineteen of the 1,368,800 customers of the Associated System is an investor.



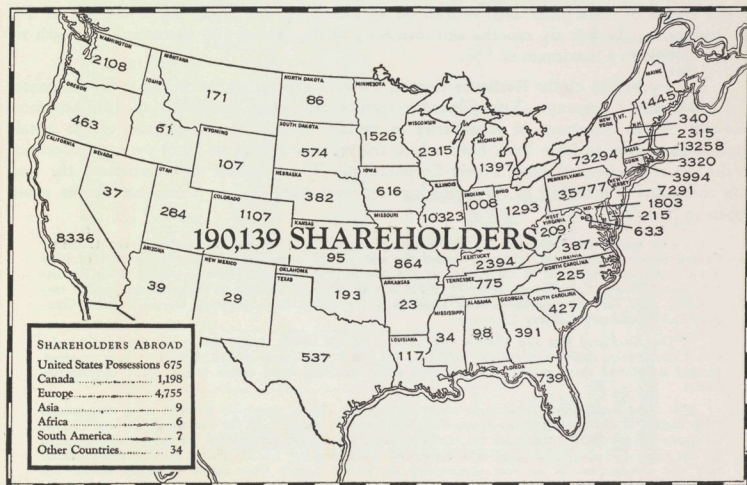
ASSOCIATED GAS and ELECTRIC SYSTEM

DISTRIBUTION OF STOCKHOLDERS

The wide distribution of holdings of Associated securities is graphically illustrated by the following chart:



That the shareholders of the Associated System are not residents alone of the financial sections of the eastern states nor of the territories served by the System is graphically illustrated in the following map which shows the shareholders by states throughout the United States, as well as the number of holders in other countries, indicating a wide geographical distribution. Many hundreds of such holders also, of course, keep their holdings in the names of domestic banks and bankers.



ASSOCIATED GAS and ELECTRIC SYSTEM

FINANCING

The financial policy of the Company as discussed at considerable length in the annual report for 1927 has been continued as stated therein. The essential feature of the program is that financing is effected primarily through the securities of the parent company instead of through securities of underlying operating companies. This policy has three distinct advantages:

1. It provides a wider diversification of business and earnings for the securities of the parent company.
2. By substituting parent company securities for underlying company securities the earnings are more directly applicable to the securities of the parent company.
3. Because of the many operating units geographically diversified within the large system of properties, the individual security issues are far larger and consequently have wider distribution and greater marketability than those of operating units in a restricted area.

Early in the year the Company's banking group headed by Harris, Forbes & Company distributed \$40,000,000 of its Convertible $4\frac{1}{2}\%$ Gold Debentures due 1949. The greater portion of the proceeds of these Debentures together with more than \$10,000,000 of similar Debentures previously issued and various other securities of the Company were used to liquidate the purchase of the General Gas and Electric System which had been taken over on April 19th, on the basis of its financial condition at December 31st.

Shortly thereafter, in May, 1929, the Company and affiliated interests contracted to purchase the Rochester Central Power Corporation and a number of affiliated properties located in the western part of New York State adjacent to properties already controlled in the System. The terms provided for payment of the deferred portion of the purchase price in installments over a period of three years with interest on an ascending scale beginning at the rate of 2% per annum for the first six months and increasing at the rate of 1% per annum for each six months period to a maximum of 5%.

The ownership of the Rochester Central Power Corporation was vested in the Associated Gas and Electric Company. The affiliated properties are being transferred to the Associated Gas and Electric Company, or subsidiaries, as rapidly as legal details permit, except certain traction companies in New York State which the vendors insisted be taken over as a condition to the sale of Rochester Central Power Corporation. The situation with respect to the traction companies is described in the following statement published in a number of the newspapers in New York State:

"Last spring the Associated Gas and Electric Company was desirous of acquiring the Rochester Central Power Corporation, which controlled gas and electric properties in the western part of New York State adjoining those of the Associated Gas and Electric System. Those in control of the Rochester Central Power Corporation, however, made it a condition of the sale of their interests in that corporation, that they be relieved of their holdings in New York State Railways, United Traction Company and Schenectady Railway Company.

"The Associated Gas and Electric Company could not legally, under the Public Service Commission Law, acquire these street railway holdings, nor did it want them if they could be legally acquired, because it believed them to be insolvent, with early maturing bond issues which made receiverships likely.

"It being impossible, however, to secure the gas and electric properties without some arrangement with respect to the street railway properties, individuals connected with the Associated Gas and Electric Company volunteered to take over the stocks of the street railway companies. In doing this they acted for the account of the Railway and Bus Associates, a common law trust. They were advised by counsel that this arrangement in no way contravened the Public Service Commission Law, as it did not involve the acquisition of stocks of street railway companies by any stock corporation.

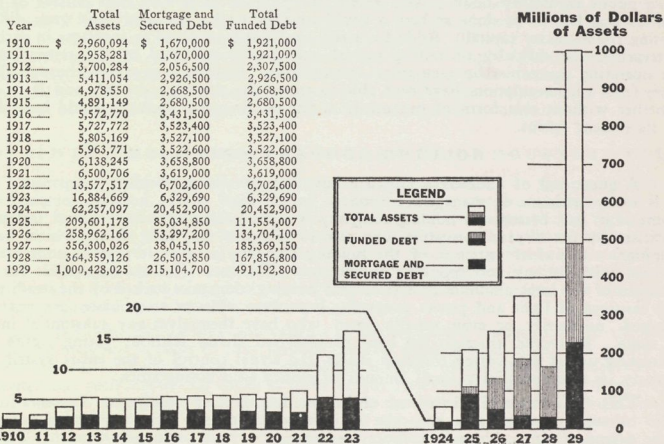
ASSOCIATED GAS and ELECTRIC SYSTEM

"After a further examination of the affairs of the street railway companies and a thorough study of their prospects it became apparent to the new interests that receiverships of the New York State Railways and United Traction Company were practically inevitable and that the only proper thing to do was to advise their security holders promptly of the situation with fairness and candor. In doing so, however, the new interests probably incurred considerable hostility from security holders who had not kept in touch with the real facts or refused to believe them."

Both the General Gas & Electric System and the Rochester Central Power Corporation System had large amounts of underlying securities in the hands of the public. The management of the Company believed it desirable, in order to carry out the fundamental policy of financing principally through parent company securities, to acquire substantial amounts of such underlying securities and to this end made exchange offers to all of the record holders of such underlying securities. Coincident with this, the Company offered stockholders and holders of Registered Convertible Securities in the System, Rights to subscribe to Class A Stock, accepting in payment not alone cash, but securities of companies in the System at certain specified prices. Under this offering there were issued upwards of 1,200,000 shares of Class A Stock, the proceeds of which were used for the initial payment of the Rochester Central purchase, for the acquisition of underlying securities in the Rochester Central and General Gas & Electric System groups, and for construction work. During this period the customer ownership department in addition to selling the 6% Convertible Debentures of the Company aided in the exchange of underlying securities of the recently acquired groups for securities of the Company.

ASSOCIATED GAS AND ELECTRIC SYSTEM

Comparison of total assets with funded debt, and mortgage and secured debt



ASSOCIATED GAS and ELECTRIC SYSTEM

During the latter months of the year the Company created an issue of \$8 Interest Bearing Allotment Certificates which were offered to stockholders and holders of Registered Convertible Securities on Rights. Subsequent to the announcement of this offering there was a drastic decline in the market value of securities during the months of October and November. In spite of the attitude of investors generally, a considerable amount of the \$8 Interest Bearing Allotment Certificates was subscribed. Early this year the Company's bankers, headed by Harris, Forbes & Company, sold \$40,000,000 of 5% Gold Debenture Bonds due 1950. The proceeds of these bonds, together with the proceeds of the Allotment Certificates, were used almost wholly for the payment of bank loans which had been incurred for various corporate purposes of the Company, so that on the date of this report the Company is in a very satisfactory financial condition.

HOLDING COMPANY REGULATION

In view of the present interest in the development of the holding company, the following analysis is presented:

There are two great problems confronting all public utility companies serving medium sized cities, suburban communities, rural and semi-rural regions.

1. To raise sufficient capital to provide the facilities necessary to serve such territory, and
2. To get enough business so that the rates which the customers can afford to pay will produce earnings sufficient to justify raising the capital.

In the solution of these problems, holding companies and their affiliated organizations have been a vitally necessary factor. They have been able to raise capital to finance operating companies to serve territories where ten years ago the prophecy of electric and gas service was unthought of.

The stronger operating companies which might have extended their service to outlying territories hesitated to do so because of the many restrictions and the necessity for the assent of a public regulatory body. As a result, the problem of serving areas outside of populous centers was left to be done as best it could by others who frequently had great difficulty in raising the necessary capital. Aside from the greater risk involved to investors in such smaller enterprises, the difficulty of raising capital was greatly enhanced by the restrictions placed on operating companies by regulatory commissions. Holding companies, through their freedom from such regulation, have been able to secure the necessary capital, and it is doubtful whether without this form of organization, the public utility industry could have developed to its present extent.

HOLDING COMPANY CRITICISM

A good deal of undeserved criticism has been levelled at holding companies. Some of it is really criticism of management policies rather than of the holding company as such. Some of it, too, because the holding company is a comparatively new financial instrument, is criticism by the ultra conservative who always distrusts anything with which he is not familiar. The chief criticism of the holding company is that it permits concentration of control without any corresponding investment. The men who are responsible for the disposition of the large amounts of capital that holding companies backed by the steadily increasing earnings of light and power properties have been able to accumulate, are not, so it is charged, necessarily or even usually, men who have themselves any substantial investment at stake. Moreover, through the issue of preferred shares without voting rights and the increasing use of non-voting common shares, the actual control of the entire system lies frequently in a comparatively small amount of closely held voting stock.

This criticism, while based on undeniable fact, is chiefly academic. It comes from those who believe that democratic rule, the majority opinion of a large number of voters, is the only defense against abuses in corporate enterprises as well as in government. This theory has yet to be demonstrated. Leaders in government and industry will make mistakes and

ASSOCIATED GAS and ELECTRIC SYSTEM

will sometimes for their own selfish ends drag their followers into trouble. But the ordinary safeguards of public opinion and the laws are very much more effective against abuses by holding company managements than would be a diffusion of voting control among a large number of comparatively small investors.

THE ADVANTAGE OF THE HOLDING COMPANY

The electric light and power industry is unique in that the human element is small in proportion to the huge capital invested. Approximately 90% of the total capital invested is in fixed assets. Where an industrial or commercial company may turn over its entire capital four or five times in the course of a year, an electric light and power company may turn over its capital perhaps only once in five years. Because of this, and because of the rapid growth of the industry, financing expansion out of earnings has been impossible.

Fundamentally the holding company is an agency for pooling resources of a number of more or less scattered enterprises in such a way as to attract new capital on the most advantageous terms and to make it available wherever it is most needed. It is a special application of the broad principle of diversification of risk, which in other forms and fields is the basis for such far-reaching and gigantic financial activities as those of insurance companies, investment trusts, and even, one might truthfully say, the Federal Reserve System itself.

It is probable that today more than three-fourths of the light and power companies in the country are controlled or financed through some form of holding company. In its ideal form, the holding company represents complete ownership by the parent company of all permanent equities and obligations of its subsidiaries, the parent company undertaking to apply all the income it derives from the subsidiaries to its own stocks and bonds, and to distribute the capital received from investors wherever it will be most productive. Such an ideal is, of course, never completely realized, but some holding companies approximate it rather closely.

The earlier forms of holding companies were not consciously striving for such an ideal. It was long considered good practice, and there can still be found many who argue for it, to confine holding company issues to equity financing, and to base all loans on the properties and revenues of individual operating companies only. But the necessity of seeking ever wider markets to obtain the capital required for development, and the difficulty of creating such markets for securities of a property only locally known, gradually brought it about that more and more financing, both loan and share, could be done advantageously through the issues of a big, nationally known organization whose securities in turn were supported by the earnings of a number of smaller and comparatively little known operating companies.

PROPOSED HOLDING COMPANY REGULATION OF DOUBTFUL VALUE

The principal difficulty with the regulation of public utilities at the present time, is the necessary complexity of the business. The public wants the best service that it can possibly get at the most reasonable cost. To insure this, it is necessary that regulation be simple. It is desirable that regulatory commissions make periodical examinations of the accounts and records of operating companies similar to those made for banks and insurance companies. This is advisable in the interests of accuracy and standardization of accounting. Unless it is done, long, expensive investigations are necessary to prove that the accounts are correct in proceedings where the books are a factor.

The proposition that the staff and expense of the regulatory Commissions in the various states shall be increased in order to have jurisdiction over holding companies, will merely serve to increase the cost of doing business and accomplish nothing of benefit to the customer. At the present time, such accounting forces as those of the New York State Public Service Commission are largely engaged in investigations having to do with the regulation of capitalization, mergers, consolidations, transfers of properties and other similar matters, none of which have the slightest bearing on rates to the consumer, and in most cases, no bearing whatever on the improvement of the services or facilities.

ASSOCIATED GAS and ELECTRIC SYSTEM

One hundred per cent efficient regulation of holding company and affiliated enterprises by either the State or the Federal government would practically stop the growth of many useful and energetic enterprises. On the other hand, regulation that was not complete or efficient would have the effect of accomplishing no good and would merely add a few more laws to the statute books, increase taxes, and at the same time increase the expense of doing business by the regulated enterprises.

The utilities must compete with all industry for necessary capital. Anything which the State or Federal governments do to hamper the utilities by undue investigation and unnecessary regulation or to aid other businesses by favorable action under law or by freedom from investigation, makes for inequality of operation. Regulation should be confined within the narrowest possible limits which will prevent fraud, suppress extortion, and permit regular development along sound economic lines.

In our present economic system the holding company has developed for itself a very definite and important function which it performs better than any other financial agency that attempts to accomplish the same purpose. If the governmental bodies, State and Federal, whose duty it is to see that public utilities give good service at reasonable rates will be guided in the performance of that duty by sound economic principles and a broad constructive spirit, there is every reason to hope in the next few years for a development of the light and power industry far transcending the wonderful growth it has already enjoyed.

LEGISLATIVE INVESTIGATIONS

From time to time, it appears to be the fashion in politics to select some important industry as the target for legislative investigations, and the electric industry is the present choice of those who must have their investigations. The Federal Trade Commission, the Federal Power Commission, the New York Commission for Investigation of Public Service Commission laws, and the Massachusetts Legislative Investigating Commission, in addition to some of the regularly constituted Public Service Commissions, have taken up a substantial portion of the time of the executives of your company and the officers and employees of the operating companies in the system during the past year.

In common with other public utility companies throughout the country, Federal Agents and State Investigators have spent months making examinations of our books. We have been required to answer numerous questionnaires seeking information on every phase and detail, material or immaterial, of utility management and operation and requiring upon very short notice the presentation of facts and figures which would require weeks or months intelligently to compile. Our officers and employees have been interviewed both privately and on the witness stand. Contracts and papers in which the public could have no conceivable interest, but the publication of which might be of interest to our competitors, have been demanded and any unwillingness on the part of the management to produce them has at times been met with suspicion and the unwarranted assumption that the company had something to conceal.

However, throughout this era of investigation the directors and officers have endeavored to maintain an even keel and, confident that the electric industry was basically sound and that your company was being operated on correct principles, have endeavored wherever possible to cooperate with those having such investigations in charge, even though literally months of the valuable time of the officers and employees have been consumed in the process.

The great expense to the companies and the greater expense to the public involved in investigations of this character are matters of no small moment. That the results accomplished will justify the expenditures made may well be doubted. Economic considerations have accomplished and will in the future accomplish more than hostile legislation. It is not generally realized that the electric industry is a highly competitive one. Lower rates are made possible by increased consumption, and such increase can only be obtained by offering rates which will attract industrial concerns and individual consumers to the additional uses of electricity.

The competition is not only with other sources of light and power, but with other communities. This natural condition is a check against unreasonable rates and unfair practices.

ASSOCIATED GAS and ELECTRIC SYSTEM

Aside from the protection thus naturally afforded the public, existing commissions possess ample jurisdiction over the operating companies and the further extension of governmental authority could have only a harmful effect.

Efficient management and increased effort have prevented such detrimental effect on the business of your company from this interference with the routine of its business as resulted not so long since when the railroads were the objects of governmental solicitude. The officers of your company cannot but feel that governmental activity directed in other channels toward constructive rather than destructive legislation would be productive of more beneficial results. The electric industry is conducted on at least as high a plane as the other great public industries, and while the nature of the business necessarily and properly subjects it to a certain amount of investigation and regulation, there must be a limit to the paternalistic activities of the government or a power intended for the public good may be abused by demagogues to such an extent as to impede the progress of a great and vital public servant. This is a matter which deserves the serious consideration of stockholders.

The investigation by the Federal Trade Commission, whose jurisdiction is based on the interstate transmission of electricity, has been aimed almost exclusively at holding companies and their relation to the operating companies. The same is true to a great extent of the New York and Massachusetts legislative investigating commissions. The reports of the latter commissions to their respective legislatures contain recommendations for legislation extending considerably the jurisdiction of the public service commissions over holding companies. This extension of jurisdiction is based on the theory that the capitalization and conduct of the business of a holding company has a direct influence on the rates charged consumers, a theory which is absolutely without any basis. The rates of the operating companies must, under the decisions of the United States Supreme Court, be based on the value of the property of the operating company, and the theory advanced to sustain holding company regulation is a mere pretext to justify governmental interference with private business.

FINANCIAL AND COMPARATIVE FINANCIAL STATEMENTS

The books of account of the Company (as has been customary for many years heretofore) are being audited by Messrs. Haskins & Sells, Certified Public Accountants.

As is customary, on the page immediately following the text of this report there will be found comparative consolidated income accounts for the five years 1925 to 1929, inclusive.

Immediately following are set forth the condensed consolidated income account of the Company and its subsidiary and affiliated companies for the year ended December 31, 1929, showing the earnings for the year, and a condensed consolidated balance sheet at December 31, 1929, which reflects the financial condition at that date.

Also appended will be found comparative consolidated balance sheets for each year of this period.

For the information of those who are interested in a corporate statement of the Associated Gas and Electric Company, there are also included, for like periods, Associated Gas and Electric Company Comparative Income Accounts and Balance Sheets.

All of these statements reflect the rapid and satisfactory growth of the Company and its business.

Respectfully submitted,

FOR THE BOARD OF DIRECTORS,

J. I. MANGE,

President.

March 31, 1930.

ASSOCIATED GAS and ELECTRIC SYSTEM

COMPARATIVE CONSOLIDATED INCOME ACCOUNT OF COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES ONLY SINCE DATES OF ACQUISITION

	Calendar Years				
	1925	1926	1927	1928	1929
GROSS EARNINGS:					
Electric	\$14,358,261.14	\$21,504,148.71	\$23,302,139.58	\$24,531,431.00	\$54,878,680.51
Gas	1,209,817.34	2,188,593.13	4,147,801.08	4,490,146.54	9,636,030.66
Water, Transportation, Heat and Miscellaneous	3,108,809.30	4,370,284.09	3,873,346.21	3,335,535.77	4,388,542.46
TOTAL	\$18,676,887.78	\$28,063,025.93	\$31,323,286.87	\$32,357,113.31	\$68,903,253.63
OPERATING EXPENSES, MAINTENANCE AND TAXES	11,080,384.03	15,521,978.16	18,264,654.74	18,290,276.40	36,299,957.85
NET EARNINGS	\$ 7,596,503.75	\$12,541,047.77	\$13,058,632.13	\$14,066,836.91	\$32,603,295.78
OTHER INCOME	774,259.09	1,220,262.03	3,973,454.32	3,934,755.50	10,637,660.27
GROSS INCOME	\$ 8,370,762.84	\$13,761,309.80	\$17,032,086.45	\$18,001,592.41	\$43,240,956.05
LESS FIXED CHARGES AND OTHER DEDUCTIONS OF SUBSIDIARY AND AFFILIATED COMPANIES...	3,101,883.03	5,615,965.27	5,650,613.48	3,389,810.10	10,207,317.37
BALANCE	\$ 5,268,879.81	\$ 8,145,344.53	\$11,381,472.97	\$14,611,782.31	\$33,033,638.68
FIXED CHARGES AND OTHER DEDUCTIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY:					
Interest on Funded Debt	\$ 971,924.71	\$ 1,904,988.85	\$ 2,893,426.54	\$ 4,978,479.74	\$10,040,103.06
Interest on Floating Debt	505,322.27	413,517.95	530,662.93	1,117,416.20	3,438,514.46
TOTAL FIXED CHARGES OF AS- SOCIATED GAS AND ELECTRIC COMPANY	\$ 1,477,246.98	\$ 2,318,506.80	\$ 3,424,089.47	\$ 6,095,895.94	\$13,478,617.52
NET INCOME AVAILABLE FOR RENEWALS AND REPLACEMENT RESERVES, DIVIDENDS AND SURPLUS	\$ 3,791,632.83	\$ 5,826,837.73	\$ 7,957,383.50	\$ 8,515,886.37	\$19,555,021.16
DIVIDENDS ON PREFERRED STOCK	828,673.77	1,662,153.57	3,453,507.02	3,512,636.95	3,007,106.57
BALANCE	\$ 2,962,959.06	\$ 4,164,684.16	\$ 4,503,876.48	\$ 5,003,249.42	\$16,547,914.59
LESS: RESERVED FOR RENEWALS AND REPLACEMENTS	1,036,112.55	1,627,193.10	1,698,731.00	1,830,454.52	3,371,076.72
BALANCE FOR FURTHER DIVI- DENDS AND SURPLUS	\$ 1,926,846.51	\$ 2,537,491.06	\$ 2,805,145.48	\$ 3,172,794.90	\$13,176,837.87
DEDUCT—CLASS A PRIORITY DIVIDEND \$2.00 PER SHARE	456,496.19	607,760.13	975,714.08	1,473,118.93	7,224,029.05
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SUR- PLUS	\$ 1,470,350.32	\$ 1,929,730.93	\$ 1,829,431.40	\$ 1,699,675.97	\$ 5,952,808.82

The above does not include any profits from sales of securities or other non-recurring income.

ASSOCIATED GAS and ELECTRIC SYSTEM

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL RECEIPTS AND CAPITAL DISBURSEMENTS

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

December 31, 1928 to December 31, 1929

CAPITAL RECEIPTS

CASH BALANCE AT DECEMBER 31, 1928.....	\$ 7,013,643.71
BALANCE OF UNDISTRIBUTED EARNINGS—TRANSFERRED TO SURPLUS.....	5,952,808.82
INCREASE IN OPTIONAL AND OTHER RESERVES.....	14,266,993.89

CAPITAL ISSUES INCLUDING CONVERSIONS AND EXCHANGES:

CAPITAL STOCK OF COMPANY:

Common	389,856 Shares \$	13,302,163.40	
Class A	4,575,967 Shares	176,068,266.59	
Class B	200,000 Shares	7,000,000.00	
Preferred Stock	27,735 Shares	2,773,458.09	\$199,143,888.08

OBLIGATIONS CONVERTIBLE INTO STOCK:

6% Convertible Debentures—Series A and B of 1929.....	\$ 74,650,668.50	
\$8 Interest Bearing Allotment Certificates.....	3,190,240.00	77,840,908.50

FUNDED DEBT OF COMPANY:

5½% Investment Certificates	\$ 10,903,975.00	
5% Consolidated Refunding Gold Debentures due 1968.....	17,011,605.00	
4½% Convertible Gold Debentures due 1958.....	9,991,810.00	
4½% Convertible Gold Debentures due 1949.....	54,760,800.00	
Serial and Long Term Obligations re Purchase of Properties.....	52,499,448.75	145,167,638.75

CAPITAL STOCKS OF SUBSIDIARIES:

Minority Common Stocks on Properties Acquired in 1929.....	\$ 11,995,587.36	
Preferred Stocks on Properties Acquired in 1929.....	79,222,509.00	91,218,096.36

FUNDED DEBT OF SUBSIDIARIES:

Funded Debt on Properties Acquired in 1929.....	122,154,077.84	635,524,609.53
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UNFUNDED DEBT:

Notes Payable	10,534,220.11
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CONTRACTUAL OBLIGATIONS	975,831.19
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DECREASE OF CURRENT ASSETS OVER CURRENT LIABILITIES.....	8,185,901.87
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TOTAL CAPITAL RECEIPTS.....	<u>\$682,454,009.12</u>
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CAPITAL DISBURSEMENTS

INCREASE IN PLANT, PROPERTY, FRANCHISES, COST OF ACQUIRING CAPITAL, ETC.....	\$392,849,216.54
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INCREASE IN INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES.....	176,969,819.51
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CAPITAL SECURITIES RETIRED THROUGH REDEMPTION, CONVERSION, PURCHASE, OR EXCHANGE:

COMPANY:

PREFERRED STOCKS:

Original Series	53,212 Shares at \$ 50 \$	2,660,600.00	
\$6.50 Dividend	91,527 Shares at 100	9,152,700.00	
\$6.00 Dividend	55,554 Shares at 100	5,555,400.00	\$ 17,368,700.00

OBLIGATIONS CONVERTIBLE INTO STOCK.....	1,591,097.90	
FUNDED DEBT	37,392,758.00	56,352,555.90

SUBSIDIARIES:

COMMON STOCK	\$ 11,077,261.05	
PREFERRED STOCKS	27,216,335.00	
FUNDED DEBT	4,400,139.30	42,693,735.35

DIVIDENDS AND MISCELLANEOUS ITEMS CHARGED AGAINST SURPLUS (NET).....	1,890,279.13
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TOTAL CAPITAL DISBURSEMENTS	\$670,755,606.43
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CASH BALANCE AT DECEMBER 31, 1929.....	11,698,402.69
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TOTAL	<u>\$682,454,009.12</u>
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ASSOCIATED GAS and ELECTRIC SYSTEM

CONDENSED CONSOLIDATED INCOME ACCOUNT OF

ASSOCIATED GAS AND ELECTRIC COMPANY

AND SUBSIDIARY COMPANIES

For the year ended December 31, 1929

Income for Companies acquired during the year is included only
from approximate dates of acquisition to December 31, 1929

OPERATING REVENUE:	
Electric	\$54,878,680.51
Gas	9,636,030.66
Water, Transportation, Heat and Miscellaneous.....	4,388,542.46
TOTAL	\$68,903,253.63
OPERATING EXPENSES, MAINTENANCE AND TAXES (including Companies' Accruals, for 1929 Federal Income Taxes)	
	36,299,957.85
OPERATING INCOME	\$32,603,295.78
OTHER INCOME	10,637,660.27
GROSS INCOME	\$43,240,956.05
LESS—Fixed Charges and Other Deductions:	
Subsidiary and Affiliated Companies:	
Interest on Funded and Unfunded Debt (less Interest During Construction)	\$ 7,313,106.21
Preferred Stock Dividends.....	2,827,672.57
Deduction by Company for Income applicable to Common Stocks of Subsidiary and Affiliated Com- panies held by the Public.....	66,538.59
BALANCE	\$33,033,638.68
Associated Gas and Electric Company:	
Interest on Funded and Unfunded Debt.....	13,478,617.52
BALANCE	\$19,555,021.16
PREFERRED STOCK DIVIDENDS	3,007,106.57
BALANCE	\$16,547,914.59
PROVISION FOR RENEWALS, REPLACEMENTS AND RE- TIREMENTS (Depreciation)	
	3,371,076.72
BALANCE	\$13,176,837.87
DEDUCT—Class "A" Priority Dividends \$2.00 per share.....	7,224,029.05
REMAINDER OF INCOME FOR OTHER DIVIDENDS AND SURPLUS	\$ 5,952,808.82

The above does not include any profits from sales of securities or other non-recurring income.

No charge for amortization of bond discount, premiums, and expenses has been included in the above statement. Practically all such discounts, premiums and expenses were written off against capital surplus. The amount of amortization that would ordinarily have been charged against income for the year 1929 has been charged against corporate surplus, and the part thereof applicable to bonds issued in prior years has been credited to capital surplus.

ASSOCIATED GAS and ELECTRIC SYSTEM

STATEMENT OF CONSOLIDATED CORPORATE SURPLUS OF

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

For the Year Ended December 31, 1929

BALANCE—DECEMBER 31, 1928.....	\$5,893,732.84	
BALANCE OF INCOME AFTER PRIORITY DIVIDENDS ON CLASS A STOCK, YEAR ENDED DECEMBER 31, 1929.....	5,952,808.82	
	<hr/>	\$11,846,541.66
DEDUCTIONS:		
Priority Dividends on Class B Stock.....	\$ 666,666.67	
Participating Dividends on Class A Stock paid Febru- ary 1, 1930	2,327,275.20	
Participating Dividends on Class B Stock paid Febru- ary 1, 1930	200,000.00	
Amortization of Debt Discount and Expense.....	1,572,205.63	
Additional Provision for Renewals, Replacements and Retirements (Depreciation)	1,264,943.73	
Other Charges—Net	762,244.98	
	<hr/>	6,793,336.21
CONSOLIDATED CORPORATE SURPLUS AT DECEMBER 31, 1929.....		<hr/> <hr/> \$ 5,053,205.45

ASSOCIATED GAS and ELECTRIC SYSTEM

CONDENSED CONSOLIDATED BALANCE SHEET OF ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

December 31, 1929

ASSETS SIDE

PLANT, PROPERTY, FRANCHISES AND COST OF ACQUIRING CAPITAL.....		\$634,940,391.96
INVESTMENTS (Principally Investments in and Advances (Net) to Subsidiary and Affiliated Companies not included in the Consolidation).....		228,386,863.82
<hr/>		
CURRENT ASSETS:		
Cash	\$11,119,210.21	
Special Deposits	579,192.48	\$11,698,402.69
Notes Receivable		43,729.09
Accounts Receivable:		
Consumers	\$ 6,636,394.45	
Miscellaneous	4,109,660.23	10,746,054.68
Due from Subscribers for Stocks and for Obligations Convertible into Stock.....		188,703.79
Materials and Supplies		6,600,466.82
TOTAL CURRENT ASSETS		29,277,357.07
SINKING FUNDS FOR RETIREMENT OF BONDS.....		106,706.45
DEFERRED CHARGES:		
Prepaid Expenses	\$ 644,039.68	
Miscellaneous Items in Suspense	4,631,684.21	
Unamortized Debt Discount and Expense.....	2,504,499.71	
TOTAL DEFERRED CHARGES		7,780,223.60
TOTAL		<u>\$900,491,542.90</u>

ASSOCIATED GAS and ELECTRIC SYSTEM

CONDENSED CONSOLIDATED BALANCE SHEET OF

ASSOCIATED GAS AND ELECTRIC COMPANY

AND SUBSIDIARY COMPANIES

December 31, 1929

LIABILITIES SIDE AND CAPITAL

CAPITAL STOCK AND SURPLUS:

Associated Gas and Electric Company:		
Preferred Stocks—Stated at Liquidation Values.....	\$24,778,296.59	
Class A (5,817,371 shares) and B (500,000 shares) Stocks—Liquidation Values, and Common Stock (1,703,538 shares)—Capital and Surplus.....	261,266,024.08	\$286,044,320.67

Subsidiary Companies:

Preferred Stocks—Stated at Liquidation Values.....	\$52,151,139.00	
Common Stocks and Surplus Applicable Thereto.....	921,776.31	53,072,915.31

TOTAL CAPITAL STOCK AND SURPLUS.....	\$339,117,235.98
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OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S AND HOLDERS' OPTION	92,582,359.03
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FUNDED DEBT:

Associated Gas and Electric Company:		
5½ % Investment Certificates	\$28,837,895.00	
5½ % Convertible Gold Debentures due 1977	7,419,000.00	
5 % Gold Debenture Bonds—First and Refunding due 1968	52,015,360.00	
4½ % Gold Debenture Bonds due 1949	54,760,800.00	
Serial and Long Term Obligations—re Purchase of Properties	52,499,448.75	
Other	19,111,918.00	\$214,644,421.75

Subsidiary Companies' Bonds Held by Public.....	162,388,988.54
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TOTAL FUNDED DEBT	377,033,410.29
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PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS.....	2,962,315.00
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CURRENT LIABILITIES:

Notes Payable	\$ 32,428,058.04
Accounts Payable	6,862,508.33

TOTAL CURRENT LIABILITIES	39,290,566.37
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ACCRUED ACCOUNTS:

Dividends, Interest and Miscellaneous	\$ 10,469,741.14
Taxes, including Accruals for Federal Income Tax for the Year 1929.....	3,984,398.95

TOTAL ACCRUED ACCOUNTS	14,454,140.09
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CONSUMERS' DEPOSITS	4,813,958.94
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RESERVES:

Renewals, Replacements and Retirement of Property	\$ 28,200,377.38
Other Reserves	2,037,179.82

TOTAL RESERVES	30,237,557.20
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TOTAL	<u>\$900,491,542.90</u>
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ASSOCIATED GAS and ELECTRIC SYSTEM

COMPARATIVE CONSOLIDATED BALANCE SHEET OF

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

December 31, 1925 to 1929 inclusive

ASSETS SIDE

CAPITAL ASSETS:	1925	1926	1927	1928	1929
Plant, Property, Franchises and Cost of Acquiring Capital.....	\$185,337,470.65	\$231,258,132.70	\$236,312,524.24	\$242,091,175.42	\$634,940,391.96
Investments (Including Investments in and Advances (net) to sub- sidiary and Affiliated Companies not included in the Consolida- tion)	4,357,867.51	1,248,851.98	58,957,542.09	51,417,044.31	228,386,863.82
TOTAL CAPITAL ASSETS	\$189,695,338.16	\$232,506,984.68	\$295,270,066.33	\$293,508,219.73	\$863,327,255.78
CURRENT ASSETS:					
Cash, Call Loans and Special De- posits	4,031,089.84	9,047,200.91	5,717,510.94	7,013,643.71	11,698,402.69
Notes Receivable	117,564.22	34,512.47	589,254.58	147,694.28	43,729.09
Accounts Receivable:					
Consumers, less reserve.....	2,482,119.48	3,083,753.04	2,853,844.96	2,599,244.54	6,636,394.45
Miscellaneous	341,613.54	1,305,085.40	704,531.58	936,063.86	4,109,660.23
Due from Subscribers for Stocks and for Obligations Convertible into Stock	8,955,974.46	4,919,754.46	3,077,525.00	2,923,586.00	188,703.79
Materials and Supplies.....	3,078,148.02	3,164,174.97	2,926,419.38	2,555,911.57	6,600,466.82
TOTAL CURRENT ASSETS	\$ 19,006,509.56	\$ 21,554,481.25	\$ 15,869,086.44	\$ 16,176,143.96	\$ 29,277,357.07
SINKING FUNDS FOR RETIREMENT OF BONDS	145,434.11	184,215.99	81,356.48	39,638.30	106,706.45
DEFERRED CHARGES:					
Prepaid Expenses	331,272.30	477,361.97	457,283.20	434,436.44	644,039.68
Miscellaneous Items in Suspense.....	422,623.74	438,525.75	1,023,889.72	1,059,775.84	4,631,684.21
Unamortized Debt Discount and Expense	—	—	—	7,296,279.99	2,504,499.71
TOTAL DEFERRED CHARGES	\$ 753,896.04	\$ 915,887.72	\$ 1,481,172.92	\$ 8,790,492.27	\$ 7,780,223.60
TOTAL ASSETS SIDE	\$209,601,177.87	\$255,161,569.64	\$312,701,682.17	\$318,514,494.26	\$900,491,542.90

ASSOCIATED GAS and ELECTRIC SYSTEM

COMPARATIVE CONSOLIDATED BALANCE SHEET OF

ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARY AND AFFILIATED COMPANIES

December 31, 1925 to 1929 inclusive

LIABILITIES SIDE AND CAPITAL

	1925	1926	1927	1928	1929
CAPITAL STOCK AND SURPLUS:					
Preferred Stocks—Stated at Liquidation Values	\$ 14,116,550.00	\$ 42,974,060.00	\$ 56,653,350.00	\$ 39,373,538.50	\$ 24,778,296.59
Class A and B Stocks—Liquidation Values, and Common Stock—Capital and Surplus.....	20,559,412.45	36,221,875.60	43,311,641.41	60,833,064.40	261,266,024.08
TOTAL CAPITAL STOCK AND SURPLUS	\$ 34,675,962.45	\$ 79,195,935.60	\$ 99,964,991.41	\$ 100,206,602.90	\$ 286,044,320.67
SUBSIDIARY AND AFFILIATED COMPANIES' STOCKS OUTSTANDING:					
Preferred Stocks	15,875,420.00	6,415,200.00	4,504,970.00	145,015.00	52,151,139.00
Common Stocks and Surplus Applicable Thereto	6,303,080.52	8,207.43	42,423.75	3,400.00	921,776.31
TOTAL SUBSIDIARY AND AFFILIATED COMPANIES' STOCKS OUTSTANDING.....	\$ 22,178,500.52	\$ 6,423,407.43	\$ 4,547,393.75	\$ 148,415.00	\$ 53,072,915.31
OBLIGATIONS WHICH ARE CONVERTIBLE INTO STOCK AT BOTH THE COMPANY'S AND HOLDERS' OPTION	26,519,157.50	16,407,900.00	17,396,167.50	16,332,548.43	92,582,359.03
FUNDED DEBT:					
Associated Gas and Electric Company	14,172,700.00	8,527,600.00	43,936,500.00	106,869,541.00	214,644,421.75
Subsidiary and Affiliated Companies	70,862,150.00	109,768,600.00	99,852,500.00	44,635,050.00	162,388,988.54
TOTAL FUNDED DEBT.....	\$ 85,934,850.00	\$ 118,296,200.00	\$ 143,789,000.00	\$ 151,504,591.00	\$ 377,033,410.29
PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS	11,377,576.25	1,385,827.00	2,393,724.00	1,986,483.81	2,962,315.00
CURRENT LIABILITIES:					
Notes Payable	8,415,077.38	8,097,316.67	20,717,066.55	21,893,837.93	32,428,058.04
Accounts Payable	1,935,201.00	2,806,616.43	1,400,721.82	1,439,869.26	6,862,508.33
Bonds Called for Redemption	—	—	—	1,948,863.00	—
Accrued Interest, Dividends and Miscellaneous Accounts	1,874,964.65	2,811,117.23	3,469,747.48	3,521,729.62	10,469,741.14
Accrued Taxes	746,079.24	1,232,918.12	1,461,324.66	1,610,466.41	3,984,398.95
TOTAL CURRENT LIABILITIES \$	\$ 12,971,322.27	\$ 14,947,968.45	\$ 27,048,860.51	\$ 30,414,766.22	\$ 53,744,706.46
CONSUMERS' DEPOSITS	1,218,991.37	1,648,526.35	1,861,373.82	1,950,523.59	4,813,958.94
RESERVES:					
Renewals, Replacements and Retirement of Property	12,319,507.83	14,279,659.45	12,702,032.63	14,439,574.63	28,200,377.38
Other Reserves	3,305,309.68	2,576,145.36	2,998,138.55	1,530,988.68	2,037,179.82
TOTAL RESERVES	\$ 15,624,817.51	\$ 16,855,804.81	\$ 15,700,171.18	\$ 15,970,563.31	\$ 30,237,557.20
TOTAL LIABILITIES SIDE AND CAPITAL	\$ 209,601,177.87	\$ 255,161,569.64	\$ 312,701,682.17	\$ 318,514,494.26	\$ 900,491,542.90

ASSOCIATED GAS and ELECTRIC SYSTEM

COMPARATIVE CONDENSED INCOME ACCOUNTS OF

ASSOCIATED GAS AND ELECTRIC COMPANY

For years ended December 31st

	1925	1926	1927	1928	1929
GROSS INCOME (Excluding non-recurring income items).....	\$ 3,432,253.26	\$ 6,080,082.71	\$ 8,876,400.64	\$12,676,316.99	\$26,413,104.75
INCOME CHARGES:					
Interest on Funded Debt.....	644,583.83	1,184,297.83	2,548,432.45	4,122,600.41	7,954,340.64
Interest on Unfunded Debt.....	494,353.45	414,006.87	541,822.68	1,118,373.30	3,438,514.46
Interest on Obligations Convertible into Stock at Company's as well as Holders' Option.....	349,123.66	729,118.67	344,994.09	959,004.33	2,372,246.03
TOTAL INCOME CHARGES.....	<u>\$ 1,488,060.94</u>	<u>\$ 2,327,423.37</u>	<u>\$ 3,435,249.22</u>	<u>\$ 6,199,978.04</u>	<u>\$13,765,101.13</u>
NET INCOME TRANSFERRED TO SURPLUS	<u>\$ 1,944,192.32</u>	<u>\$ 3,752,659.34</u>	<u>\$ 5,441,151.42</u>	<u>\$ 6,476,338.95</u>	<u>\$12,648,003.62</u>

ASSOCIATED GAS and ELECTRIC SYSTEM

COMPARATIVE BALANCE SHEET OF ASSOCIATED GAS AND ELECTRIC COMPANY

For years ended December 31st

ASSETS SIDE

	1925	1926	1927	1928	1929
INVESTMENTS, CAPITAL ASSETS AND ADVANCES TO ASSOCIATED COM- PANIES	\$ 84,235,953.49	\$ 98,258,175.81	\$178,975,965.45	\$246,261,809.50	\$631,969,843.96
CURRENT ASSETS:					
Cash	1,161,777.34	6,036,256.66	4,471,411.68	5,805,085.18	9,696,800.42
Notes and Accounts Receivable from Subscribers and Others	8,902,292.89	6,022,503.46	3,104,881.75	2,923,646.93	104,651.86
TOTAL CURRENT ASSETS	\$ 10,064,070.23	\$ 12,058,760.12	\$ 7,576,293.43	\$ 8,728,732.11	\$ 9,801,452.28
DEFERRED CHARGES:					
Prepaid Accounts	23,783.05	53,147.43	80,709.83	117,391.64	90,485.14
Suspense	83,595.59	304,573.78	457,533.72	224,999.42	—
Unamortized Debt Discount and Expense	—	—	—	5,347,589.63	—
TOTAL DEFERRED CHARGES \$	107,378.64	\$ 357,721.21	\$ 538,243.55	\$ 5,689,980.69	\$ 90,485.14
TOTAL ASSETS SIDE	<u>\$ 94,407,402.36</u>	<u>\$110,674,657.14</u>	<u>\$187,090,502.43</u>	<u>\$260,680,522.30</u>	<u>\$641,861,781.38</u>

LIABILITIES SIDE AND CAPITAL

CAPITAL STOCK AND SURPLUS:					
Preferred, Class A and B Stocks, Liquidation Values, and Common Stock—Capital and Surplus	\$ 36,279,517.11	\$ 77,019,908.84	\$100,503,838.23	\$108,086,387.40	\$288,827,907.21
OBLIGATIONS WHICH ARE CONVERT- IBLE INTO STOCK AT BOTH THE COMPANY'S AND HOLDERS' OP- TION	25,956,157.50	16,287,600.00	17,285,674.16	16,332,548.43	100,876,540.03
FUNDED DEBT	14,172,700.00	8,527,600.00	43,936,600.00	109,369,541.00	215,244,421.75
PROPERTY PURCHASE AND STOCK CONTRACT OBLIGATIONS	11,018,201.00	724,683.00	1,749,275.00	1,463,247.03	—
NOTES PAYABLE	5,200,894.56	4,650,000.00	20,535,000.00	21,504,400.00	26,970,000.00
ACCOUNTS PAYABLE	16,800.72	1,619,950.90	256,951.88	318,983.76	—
ACCRUED DIVIDENDS, INTEREST AND MISCELLANEOUS ACCOUNTS	294,765.46	474,433.80	1,311,122.32	3,597,653.24	9,154,834.74
RESERVES	1,468,366.01	1,370,480.60	1,512,040.84	7,761.44	788,077.65
TOTAL LIABILITIES SIDE AND CAPITAL	<u>\$ 94,407,402.36</u>	<u>\$110,674,657.14</u>	<u>\$187,090,502.43</u>	<u>\$260,680,522.30</u>	<u>\$641,861,781.38</u>

ASSOCIATED GAS and ELECTRIC SYSTEM

FACTS CONCERNING FUNDED DEBT AND OBLIGATIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARIES

Name	Interest Dates	Where Payable	Trustees, Transfer Agents or Registrars
Associated Gas and Electric Company			
4½% Convertible Gold Debentures, due 1948.....	M&S-1	{ C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	The New York Trust Company, New York City, Trustee
4½% Convertible Gold Debentures, due 1949.....	J&J15	{ C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	Equitable Trust Company, New York, Trustee
4½% Gold Debenture Bonds, due 1958.....	M&N-1	{ C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	The Chase National Bank of the City of New York, Trustee
5% Gold Debenture Bonds, due 1968.....	A&O-1	{ C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	Guaranty Trust Company of New York, Trustee
5% Gold Debenture Bonds, Series of 1928.....	J&J-1	{ C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	The Chase National Bank of the City of New York, Trustee
5½% Gold Debentures, due 1977.....	F&A-1	C-H. C. Hopson & Co., Inc., N. Y. C.	The New York Trust Company, New York City, Trustee
5½% Convertible Investment Certificates, due 1938 {	M&N-15 FMAN-15	{ C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	Irving Trust Company, New York City, Registrar F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
6% Convertible Debenture Certificates (Series A and B of 1929)..... {	J&D-1 MJSD-1	{ C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	Guaranty Trust Company of New York, Registrar F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
6% Convertible Debenture Certificates, Series C, D, E, F..... {	M&S-1 MJSD-1	{ C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	
6½% Convertible Debenture Certificates..... {	J&J-1 JAJO-1	{ C-H. C. Hopson & Co., Inc., N. Y. C. R-The Company, Ithaca, N. Y.	
Associated Electric Company			
4½% Gold Bonds, due 1953.....	J&J-1	C-H. C. Hopson & Co., Inc., N. Y. C.	Guaranty Trust Company of New York, Trustee
American Utilities Company			
6% 1st Lien and Ref. Gold Bonds, Series A, due 1945.....	J&D-1	C-Chase Natl. Bank, New York, and Office of Trustee	Pennsylvania Company for Insurances on Lives & Granting An nuities, Philadelphia, Pa.
6½% Gold Debenture Bonds, due 1941.....	M&N-1	C-Pennsylvania Co. for Ins. on Lives & Granting Annuities, also Trustee	Equitable Trust Company, New York, Trustee
Binghamton Light, Heat & Power Company			
5% 1st Refunding Mortgage, due 1946.....	A&O-1	C-H. C. Hopson & Co., Inc., N. Y. C.	Guaranty Trust Company of New York, Trustee and Registrar
Canadae Power Corporation			
5% 1st Mortgage, due 1958.....	A&O-1	C-J. P. Morgan & Co., N. Y. C.	Security Trust Company, Rochester, N. Y., Trustee J. P. Morgan & Co., New York City, Registrar
Citizens Light, Heat & Power Co. of Penna.			
5% 1st Mortgage, due 1934.....	M&N-1	{ C-Harris, Forbes & Co., N. Y. and Boston C-Harris Trust & Savings Bank, Chicago	United States Mortgage & Trust Company, New York, Trustee
Empire Gas & Electric Company			
6% General and Refunding, Series A, due 1952.....	J&D-1	C-Office of Trustee	Irving Trust Company, New York, Trustee

Empire Coke Co.-Empire Gas & Electric Company 5% Joint 1st and Refunding, due 1941.....	M&S-1	C-Office of Trustee	Pennsylvania Company for Insurances on Lives & Granting Annuities, Philadelphia, Pa., Trustee
Erie Lighting Company 5% 1st Mortgage, due 1967.....	A&O-1	C-Office of Trustee	Pennsylvania Company for Insurances on Lives & Granting Annuities, Philadelphia, Pa., Trustee
Elmira Water, Light & R. R. Company 5% 1st Consolidated, due 1956.....	M&S-1	C-Office of Trustee	The New York Trust Company, New York City, Trustee
Indiana Gas Utilities Company 5% 1st Mortgage, due 1946.....	J&J-1	{ C-Harris, Forbes & Co., N. Y. and Boston C-Harris Trust & Savings Bank, Chicago	Guaranty Trust Company of New York, Trustee
Lockport Light, Heat & Power Company 5½% 1st Mortgage, Series A, due 1954.....	M&N-1	C-Office of Trustee	The New York Trust Company, New York City, Trustee
Long Island Water Corporation 5½% 1st Mortgage, due 1955.....	M&N-1	C-H. C. Hopson & Co., Inc., N. Y. C.	Guaranty Trust Company of New York, Trustee
The Manila Electric R. R. & Ltg. Corporation 5% 1st and Collateral Trust, due 1953.....	M&S-1	C-H. C. Hopson & Co., Inc., N. Y. C.	The Equitable Trust Company of New York, Trustee
Metropolitan Edison Company 5% 1st and Refunding, Series C, due 1953.....	J&J-1	C-Continental Illinois Bank & Trust Co., Chicago, or Office of Trustee	Guaranty Trust Company of New York, Trustee
4½% 1st Mortgage, Series D, due 1968.....	M&S-1	C-Continental Illinois Bank & Trust Co., Chicago, or Office of Trustee	Guaranty Trust Company of New York, Trustee
Municipal Gas & Electric Company 4½% 1st Mortgage, due 1942.....	A&O-1	C-Office of Trustee	Central Hanover Bank & Trust Company, New York, Trustee
New Jersey Power & Light Company 5% 1st Mortgage, due 1956.....	F&A-1	C-Continental Illinois Bank & Trust Co., Chicago, or Office of Trustee	Guaranty Trust Company of New York, Trustee
New York Central Electric Corporation 5½% 1st Mortgage, due 1950.....	M&S-1	C-H. C. Hopson & Co., Inc., N. Y. C.	The New York Trust Company, New York City, Trustee
New York State Gas & Electric Corporation 5½% 1st Mortgage, due 1962.....	A&O-1	C-Office of Trustee	The Equitable Trust Company of New York, Trustee
Northen Pennsylvania Power Company 5% 1st and Refunding, Series A, due 1956.....	J&D-1	C-Bank of North America & Trust Co., Philadelphia, Pa., or Office of Trustee	Guaranty Trust Company, New York, Trustee
Penn Public Service Corporation 6% 1st and Refunding, due 1947.....	M&N-1	C-First National Bank, New York	Bankers Trust Company, New York, Trustee
5% 1st and Refunding, due 1954.....	J&D-1	C-H. C. Hopson & Co., Inc., N. Y. C.	Bankers Trust Company, New York, Trustee
Richmond Light & Railroad Company 4% 1st Collateral Trust, due 1952.....	J&J-1	C-Office of Trustee	Guaranty Trust Company of New York, Trustee
Rochester Central Power Corporation 5% Debentures, Series A, due 1953.....	M&S-1	{ C-Office of Trustee C-Office of Trustee	Manufacturers Trust Company, New York, Trustee
Rochester Gas & Electric Corporation 7% General Mortgage, Series B, due 1946.....	M&S-1	C-Office of Trustee	Bankers Trust Company, New York, Trustee
5½% General Mortgage, Series C, due 1948.....	M&S-1	C-Office of Trustee	Bankers Trust Company, New York, Trustee
4½% General Mortgage, Series D, due 1977.....	M&S-1	C-Office of Trustee	Bankers Trust Company, New York, Trustee
Rochester Railway & Light Company 5% Consolidated, due 1954.....	J&J-1	C-Office of Trustee	Security Trust Company, Rochester, N. Y., Trustee
York Haven Water & Power Company 5% 1st Mortgage, due 1951.....	J&D-1	C-Office of Trustee	Real Estate Land Title & Trust Company, Philadelphia, Pa., Trustee

C-Coupon.

R-Registered.

ASSOCIATED GAS and ELECTRIC SYSTEM

FACTS CONCERNING CAPITAL STOCK OF ASSOCIATED GAS AND ELECTRIC COMPANY AND SUBSIDIARIES

Name	Dividend Dates	Where Payable	Transfer Agents and Registrars
Associated Gas and Electric Company			
Common Stock			F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Hibernia Trust Company, New York, Registrar State Street Trust Company, Boston, Mass., Tfr. Agt. The First National Bank of Boston, Boston, Mass., Registrar
Class A Stock	FMAN-1	The Company, Ithaca, N. Y.	The Equitable Trust Company, New York, Tfr. Agt. F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Guaranty Trust Company, New York, Registrar State Street Trust Company, Boston, Mass., Tfr. Agt. The First National Bank of Boston, Boston, Mass., Registrar Bank of America of California, Los Angeles, Cal., Tfr. Agt. Security First National Bank of Los Angeles, Los Angeles, Cal., Registrar
			R. E. Failing & H. W. Zschiegner, Ithaca, N. Y., Tfr. Agt. First National Bank of Ithaca, Ithaca, N. Y., Registrar Harris Trust & Savings Bank, Chicago, Ill., Tfr. Agt. Continental Illinois Bank & Trust Company, Chicago, Ill., Registrar
\$5 Dividend Series Preferred Stock	MJSD-15	The Company, Ithaca, N. Y.	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Guaranty Trust Company, New York, Registrar
\$6 Dividend Series Preferred Stock	MJSD-1	The Company, Ithaca, N. Y.	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. The Chase National Bank of the City of New York, Registrar
\$6.50 Dividend Series Preferred Stock	MJSD-1	The Company, Ithaca, N. Y.	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Chemical Bank & Trust Co., New York City, Registrar
\$7 Dividend Series Preferred Stock	JAJO-1	The Company, Ithaca, N. Y.	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. The Bank of America, New York City, Registrar
Original Series Preferred Stock	JAJO-1	The Company, Ithaca, N. Y.	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. Irving Trust Company, New York City, Registrar
Binghamton Light, Heat & Power Company			
\$6 Cumulative Preferred Stock	JAJO-1	The Company, Ithaca, N. Y.	F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt. The Chase National Bank of the City of New York, Registrar

Empire Gas & Electric Company

6% Cumulative Preferred, Series A and D.....	MJSD-1	The Company, Ithaca, N. Y.	}
7½% Cumulative Preferred, Series B.....	MJSD-1	The Company, Ithaca, N. Y.	
7% Cumulative Preferred, Series C.....	MJSD-1	The Company, Ithaca, N. Y.	

F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
T. W. Moffat, H. B. Brown & J. J. McCarthy, 33 Liberty Street,
New York City, Registrar

Lockport Light, Heat & Power Company

6% Cumulative Preferred.....	JAJO-1	The Company, Ithaca, N. Y.	}
7% Cumulative Preferred.....	JAJO-1	The Company, Ithaca, N. Y.	

F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
T. W. Moffat, H. B. Brown & J. J. McCarthy, 33 Liberty Street,
New York City, Registrar

Metropolitan Edison Company

\$7 Cumulative Preferred.....	JAJO-1	The Company, Ithaca, N. Y.	}
\$6 Cumulative Preferred.....	JAJO-1	The Company, Ithaca, N. Y.	

F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
The New York Trust Company, New York, Registrar

New Jersey Power & Light Company

\$6 Cumulative Preferred.....	JAJO-1	The Company, Ithaca, N. Y.	
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F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
Guaranty Trust Company of New York, Registrar

New York Central Electric Corporation

7% Cumulative Preferred.....	JAJO-1	The Company, Ithaca, N. Y.	
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F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
The New York Trust Company, New York, Registrar

Northern Pennsylvania Power Company

\$7 Cumulative Preferred.....	JAJO-1	The Company, Ithaca, N. Y.	}
\$6 Cumulative Preferred.....	JAJO-1	The Company, Ithaca, N. Y.	

F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
The Chase National Bank of the City of New York, Registrar

Rochester Central Power Corporation

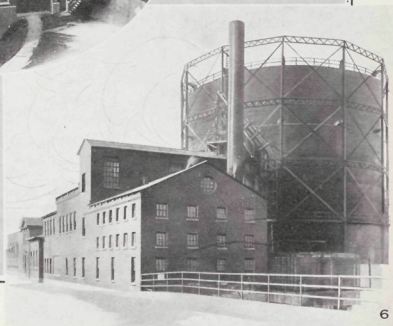
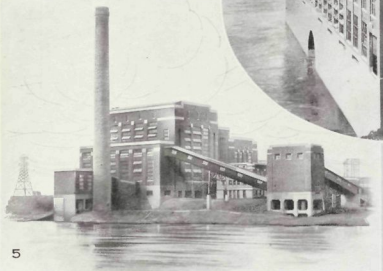
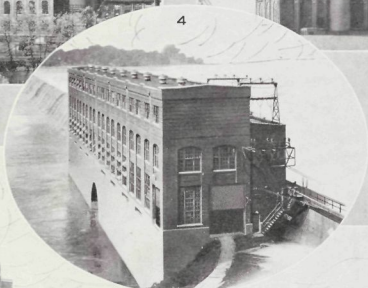
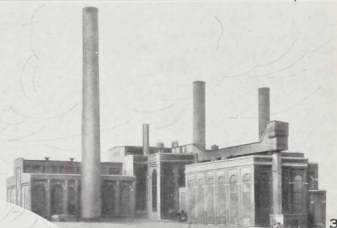
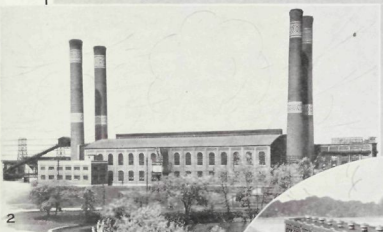
6% Cumulative Preferred.....	JAJO-1	The Company, Ithaca, N. Y.	
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F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C., Tfr. Agt.
Chemical Bank & Trust Company, New York, Registrar

Rochester Gas & Electric Corporation

7% Cumulative, Series B.....	MJSD-1	The Company, Rochester, N. Y.	}
6% Cumulative, Series C and D.....	MJSD-1	The Company, Rochester, N. Y.	

Katherine Price, Office of the Company, Rochester, N. Y. } Transfer
F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C. } Agents
Guaranty Trust Company of New York, Registrar
Katherine Price, Office of the Company, Rochester, N. Y. } Transfer
F. E. Taylor & W. L. Freund, 61 Broadway, N. Y. C. } Agents
Security Trust Company, Rochester, N. Y., Registrar



1—STEAM POWER PLANT, ERIE, PA.

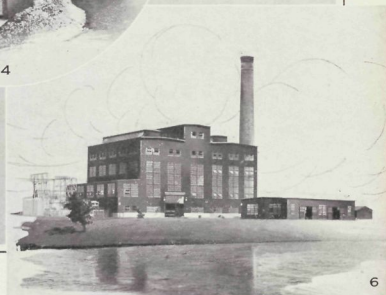
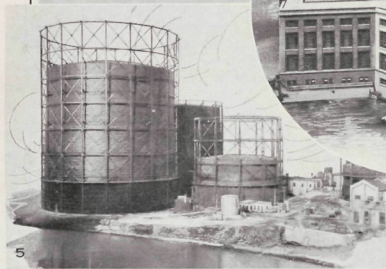
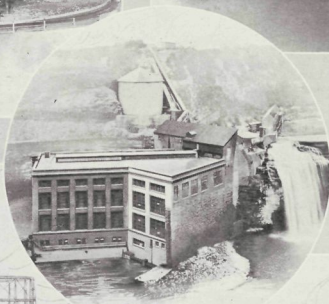
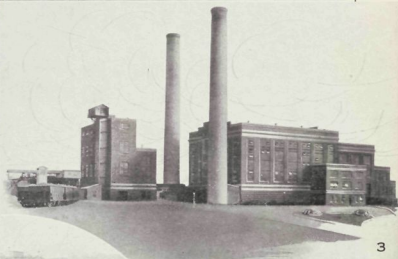
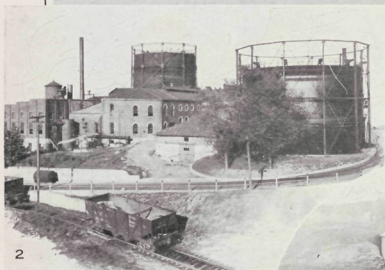
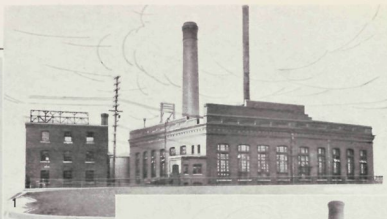
2—STEAM POWER PLANT, READING, PA.

3—STEAM POWER PLANT, BINGHAMTON, N. Y.

4—HYDRO-ELECTRIC PLANT, PARR SHOALS, S. C.

5—STEAM POWER PLANT, HOLLAND, N. J.

6—GAS PLANT, EASTON, PA.



1—STEAM POWER PLANT, PORTSMOUTH, N. H.

2—GAS PLANT, RICHMOND, IND.

3—STEAM POWER PLANT, MIDDLETOWN, PA.

4—HYDRO-ELECTRIC PLANT, ROCHESTER, N. Y.

5—GAS PLANT, ROCHESTER, N. Y.

6—STEAM POWER PLANT, AVON PARK, FLA.

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT

INCLUDING DATA REGARDING ASSOCIATED GAS AND ELECTRIC SYSTEM

(PAGES 3 TO 10)

FOR THE YEAR ENDED DECEMBER 31, 1930



Organization of the
ASSOCIATED GAS AND ELECTRIC COMPANY

(Incorporated under the laws of the State of New York in 1906)

Officers

J. I. MANGE, *Chairman and President* New York
H. C. HOPSON, *Vice-President and Treasurer* New York
S. J. MAGEE, *Vice-President and General Manager* New York
J. M. DALY, *Vice-President* New York
H. D. FITCH, *Vice-President* Bowling Green, Ky.
O. E. WASSER, *Comptroller and Assistant Secretary-Treasurer* . . Ithaca, N. Y.
M. C. O'KEEFFE, *Secretary and Assistant Treasurer* New York

Directors

CHARLES W. BEALL New York Harris, Forbes & Company	HOWARD C. HOPSON New York Vice-President and Treasurer
WILLIAM BUCHSBAUM New York Vice-President, Barstow-Tyng & Company	SANFORD J. MAGEE New York Vice-President and General Manager
FREDERICK S. BURROUGHS New York Harris, Forbes & Company	JOHN I. MANGE New York Chairman and President
JOHN M. DALY New York Vice-President	W. EUGENE MCGREGOR Boston, Mass. Harris, Forbes & Company
HENRY D. FITCH Bowling Green, Ky. Vice-President	DANIEL STARCH New York Daniel Starch and Staff

FINANCIAL OFFICE, 61 Broadway, New York City

PRINCIPAL OFFICE Ithaca, New York

MANAGERS—OPERATING PROPERTIES
THE UTILITY MANAGEMENT CORPORATION
120 WALL STREET, NEW YORK CITY
former name
The J. G. White Management Corporation



ASSOCIATED GAS AND ELECTRIC SYSTEM

OPERATIONS AND PROGRESS

For the Year Ended December 31, 1930

CONSIDERING the unusually retarded business conditions prevailing throughout all types of industries and lines of business during 1930, the Associated Gas and Electric System had on the whole a very satisfactory year. It held its own or made slight gains as compared with the record year of 1929. The outstanding accomplishments of the year may briefly be summarized as follows:

1. The output of electricity of the Associated Gas and Electric System *increased* 1.4% in 1930 over 1929, whereas the output of the United States as a whole *declined* 1.8% during 1930. Gas output of the Associated System *increased* 1.7%, whereas the output of the United States as a whole *declined* 1.9%. The same properties were considered in both years.

2. Both gross and net earnings kept up remarkably well. Gross earnings increased 3.3%, and net earnings increased 3.0%.

3. This satisfactory situation is due to the fact that the decline in the industrial use of gas and electricity in 1930 was more than offset by increased domestic use, not only through the addition of 41,677 electric and gas customers during the year, but especially through the greater use of gas and electricity by domestic customers already served.

4. This is due largely to the substantial increase in the sale of household appliances which totalled \$9,464,264 in 1930, as compared with \$7,678,558 in 1929.

5. Very material progress was made during 1930 in more closely coordinating the operating management and in more thoroughly solidifying the financial structure of the Associated System, particularly in view of the large additions of properties made during 1929.

6. During 1930, three major construction projects were completed: The Saluda Hydro-Electric Development in South Carolina, the largest earth dam in the world for hydro-electric purposes; the Gilbert Station at Holland, New Jersey, one of the most modern steam stations in the world; and the Botocan Falls Hydro-Electric Station, 55 miles from Manila, the outstanding electric development in the Philippine Islands.

Note: Pages 5 to 10 of this report deal with the Associated Gas and Electric System which includes the Associated Gas and Electric Company, the New England Gas and Electric Association and the General Gas and Electric Corporation. Pages 11 to 32 deal with the Associated Gas and Electric Company, which has gross earnings equalling 83.5% those of the System.



SUMMARY OF GROWTH

The gains made by the Associated Gas and Electric System during the year, as well as the extent of operations in the most important phases of its business are summarized below:—

Total customers.....	1,430,681	
Increase in customers.....	43,258	
Percent increase.....		3.1%
Total gross earnings.....	\$112,147,615	
Percent increase.....		3.3%
Total net earnings.....	\$54,665,372	
Percent increase.....		3.0%
Total electric output (Kwh.).....	3,059,278,638	
Percent increase.....		1.4%
Total gas sendout (M.c.f.).....	18,321,154	
Percent increase.....		1.7%
Kilowatt-hours sold per residential customer....	439	
Percent increase.....		10.3%
Gas sales per residential customer (cu. ft.).....	30,700	
Percent increase.....		1.3%
Appliances sold by New Business Department...	\$9,464,264	
Percent increase.....		23%

EARNINGS

The comparative earnings statement of the entire system for the latest period available, the twelve months ended March 31, 1931 and 1930, (in the condensed form in which it is published each month) is given below:

SINCE DATES OF ACQUISITION (ACTUAL)

	1931	1930	Increase	
			Amount	%
Gross Earnings and Other Income.....	\$111,616,984	\$100,979,022	\$10,637,962	11
Operating Expenses, Maintenance, all Taxes, etc.....	57,655,761	50,401,392	7,254,369	14
Provision for Retirement etc. of Fixed Capital.....	6,980,529	4,988,047	1,992,482	40
Total Operating Expenses.....	64,636,290	55,389,439	9,246,851	17
Net Earnings.....	46,980,694	45,589,583	1,391,111	3

DISREGARDING DATES OF ACQUISITION (EARNING POWER)

Gross Earnings and Other Income.....	\$112,152,202	\$111,130,245	\$1,021,957	1
Operating Expenses, Maintenance, all Taxes, etc.....	58,049,018	57,185,514	863,504	2
Provision for Retirement etc. of Fixed Capital.....	7,047,802	5,792,523	1,255,279	22
Total Operating Expenses.....	65,096,820	62,978,037	2,118,783	3
Net Earnings.....	47,055,382	48,152,208	1,096,826*	2*

*Decrease



A DECADE OF PROGRESS

The period 1920-1930 witnessed a constant growth in business by the combined operating units of the Associated Gas and Electric System. It is interesting to note how the properties withstood the effects of the general business depressions of 1921 and 1930.

It will be observed that while gross earnings

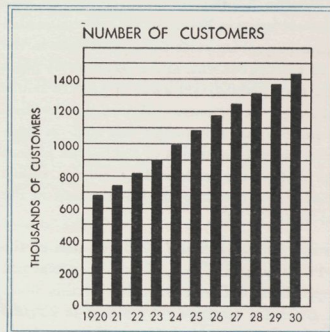
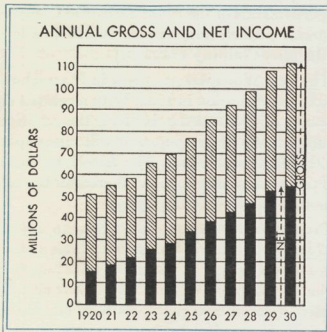
doubled during this ten year period, net earnings more than tripled. Earnings and other statistics of all properties including the New England Gas and Electric Association and General Gas and Electric Corporation, irrespective of the dates when they were first included as part of the Associated System, are shown below:—

For Years Ended December 31st	Annual Earnings		Sales K.W.H.	Number of Customers	
	Gross	Net*		Electric	Gas, Water, Steam
1920.....	\$51,164,774	\$15,398,968	1,033,929,079	338,419	344,050
1921.....	54,907,073	18,310,349	954,009,256	388,687	354,621
1922.....	58,339,202	22,049,555	1,146,905,484	447,497	371,449
1923.....	65,664,884	25,853,705	1,352,654,306	515,869	382,262
1924.....	69,794,738	28,448,349	1,405,677,796	595,745	400,187
1925.....	77,175,669	33,983,624	1,583,191,145	668,809	416,735
1926.....	85,798,189	38,516,087	1,858,826,215	740,879	435,998
1927.....	92,550,778	43,028,164	1,925,507,892	795,762	451,873
1928.....	99,072,146	47,275,200	2,092,135,929	846,461	464,035
1929.....	108,496,804	53,037,214	2,466,441,783	907,376	480,047
1930.....	112,147,615	54,665,372	2,520,768,793	950,032	480,649

*Before Depreciation and Federal Income Taxes.

Total Associated electric customers at the end of 1930 were 950,032, an increase of 4.7%. While the present Associated properties served only 3.7% of the

total electric customers in the United States and its Possessions at the end of 1929, their gain was 7.7% of the total gain by the industry during the year 1930.





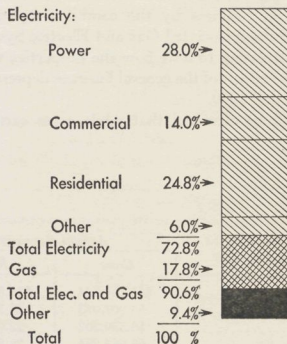
SOURCES OF REVENUE

Earnings of the Associated Gas and Electric System are not dependent on any one territory or group of industries. The System serves over 3,000 communities, a majority of which are of medium size. This means that a proportionately large part of the revenue is from residential service, a distinct advantage in a year such as 1930.

With 72.8% of its revenue from electricity and 17.8% from gas, the Associated System derives 90.6% of its total revenue from these two desirable types of service.

Based on figures as of the close of 1930, the Associated System served 1 in 26 residential electric customers in the United States and its possessions, and 1 in 38 residential gas customers in the United States.

SOURCES OF REVENUE



NEW CONSTRUCTION IN 1930

The Associated System spent \$32,000,000 for new construction during 1930, providing new and better facilities for service throughout the System. Among this construction, four new units deserve special mention.

The Saluda River hydro-electric development near Columbia, South Carolina, generated 26,234,000 kilowatt-hours in February 1931. Completed in 1930, this project includes the largest dam in the world in cubical content, and a reservoir 41 miles long. It adds 360,000,000 kw.h. a year to South Carolina's power resources. Before construction began in 1927, all this power was sold on long-term contracts. Completion of the Saluda project was probably the outstanding public utility engineering and construction achievement in the United States in 1930.

In May, 1930, the first 55,000 kw. unit of the Gilbert Station at Holland, New Jersey, was put into operation. Ultimate capacity of this plant which generates electricity by steam is 220,000 kw. This plant meets demands for power in

New Jersey with generating equipment that is as modern as any in the country.

After 16 months of construction, the Botocan Falls hydro-electric development in the Philippines was completed in December. This project generates 16,000 kw., most of it being used in the city of Manila, 55 miles away. This plant meets demands of the Manila Electric Company's customers, which now number 96,210 in addition to the street railway business.

The new Worcester gas plant in Massachusetts also began operation in 1930. With a present daily capacity of 14,700,000 cubic feet, the addition of comparatively little equipment will raise capacity to 21,000,000 cubic feet. The Associated System has plans under way to make Worcester the center of a large gas distributing system.

Properties of the Associated System maintain 8,124 miles of electric transmission lines and 4,635 miles of gas mains. Engineering work during 1930 included extension of lines and mains as well as construction of new plant, as may be seen from the following projects:



NEW YORK

EMPIRE GAS AND ELECTRIC COMPANY

Auburn—Lake Ave. 1500 K.V.A. 33/2.5 K.V. Substation.
Auburn—Wright 3000 K.V.A. 33/2.5 K.V. Substation.
Lyons to Clyde 33 K.V. transmission line.

NEW YORK CENTRAL ELECTRIC CORPORATION

Hornell to Canisteo 35 K.V. transmission line.
Bath to Hornell 110 K.V. transmission line.

NEW YORK STATE ELECTRIC & GAS CORPORATION

Binghamton—35,000 K.V.A. transformer bank.
Tilly Foster to Mahopac Falls 44K.V. transmission line
and one 1,000 K.V.A. 44/22-4.6/2.3 K.V. substation.
Montour Falls to Ithaca 110 K.V. transmission line.
Westover to Endicott 33 K.V. transmission line.
Endicott—10,000 K.V.A.; 33/22/3.3 K.V. substation.

ROCHESTER GAS AND ELECTRIC CORPORATION

Manchester to Clifton Springs 33 K.V. transmission line.
Rochester—16 ft. Cyanogen Scrubber.

PENNSYLVANIA-NEW JERSEY

METROPOLITAN EDISON COMPANY

York—20,000 K.V.A. substation.

NEW JERSEY POWER & LIGHT COMPANY

Denville—D., L. & W. R.R. 33 K.V. double circuit
transmission line.

PENNSYLVANIA ELECTRIC COMPANY

Summerville to Brookville 33 K.V. transmission line.

KENTUCKY-TENNESSEE

KENTUCKY-TENNESSEE LIGHT AND POWER COMPANY

Bowling Green—New 7,000 K.W. generating plant in
progress for 1951.
Bowling Green—Extend distribution system and change
over to natural gas.
Russellville—Build distribution system and serve with
natural gas.
Mayfield—3,500 K.W. turbine installation.
Tiptonville—33 K.V. transmission line.
Huntingdon—New 8' deep water well.

ILLINOIS-OHIO

UNION GAS & ELECTRIC COMPANY

8 ft. water gas set and rehabilitating old gas plant.

NORTH EASTERN OIL & GAS COMPANY

100,000 cu. ft. high pressure storage tank erected.

*Miles of gas main in 3' equivalents.

LOUISIANA-MISSOURI

LOUISIANA PUBLIC UTILITIES CO., INC.

Converse to Many 13.2 K.V. transmission line.
Covington to Slidell 13.2 K.V. transmission line.
Mansfield—500 K.W. turbine installation.
Crowley—New 25 ton ice and 75 ton storage plant.

MISSOURI GENERAL UTILITIES COMPANY

Rolla—New 6' deep water well.

PHILIPPINE ISLANDS

Botocan to Manila 110 K.V. transmission line.
Botocan to Lucena 110 K.V. transmission line.

CANADIAN MARITIME PROVINCES

MARITIME ELECTRIC COMPANY

Charlottetown—One 400 H.P. steam boiler to increase
capacity of plant.

MASSACHUSETTS

CAMBRIDGE ELECTRIC LIGHT COMPANY

East Cambridge—13 K.V. loop.
Cambridge—New 150,000# steam plant and 2,500 K.W.
back pressure turbo generator.
Harvard steam line to connect Harvard University.
J. P. Squires; 2,000 K.V.A.—13/2.3 K.V. substation.
Harvard University; 3,000 K.V.A. — 13/2.3 K.V.
substation.

CAPE & VINEYARD ELECTRIC COMPANY

Orleans—22 K.V. transmission line.
1,000 K.V.A.; 44/22-4.6/2.3 K.V. substation.
Hyannis—4,000 K.V.A.; 2.3 K.V. 3 phase 60 cycle
synchronous condenser.

MARION GAS COMPANY

*Marion—10.8 miles high pressure mains laid to serve
town of Marion.

WEST BOSTON GAS COMPANY

*Wellesley Park—3.0 miles high pressure main.
*Saxonville Park—6.8 miles high pressure mains.

NEW HAMPSHIRE

NEW HAMPSHIRE GAS AND ELECTRIC COMPANY

Jaffrey—2,000 K.V.A.; 110 K.V./3.2 K.V. automatic
substation.

SOUTH CAROLINA

BROAD RIVER POWER COMPANY

Lyles Substation—One 132 K.V. oil circuit breaker and
air break switch.

FLORIDA

FLORIDA PUBLIC SERVICE COMPANY

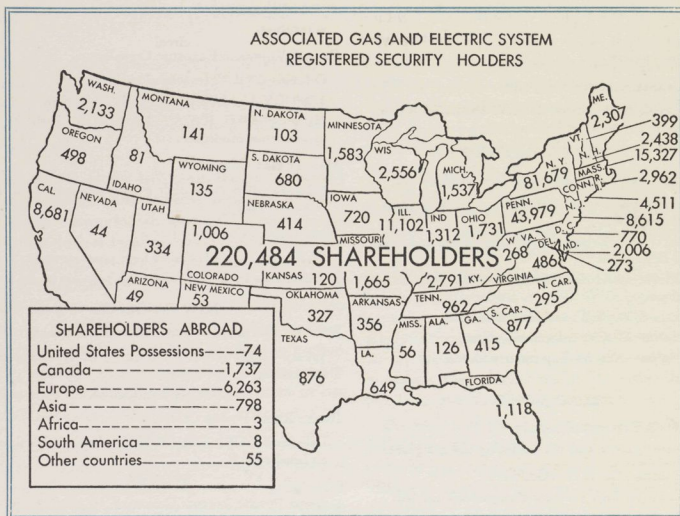
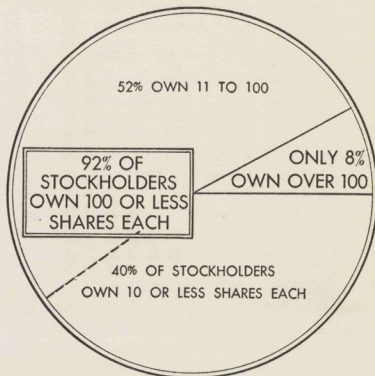
Piedmont to Benson Springs 110 K.V. transmission line.



WORLD-WIDE DISTRIBUTION OF SHAREHOLDERS

The extent to which customer-ownership activities carried on throughout the areas served have brought about distribution of Associated securities among small investors is reflected by this chart which shows that 92% of Associated stockholders own 100 or less shares each.

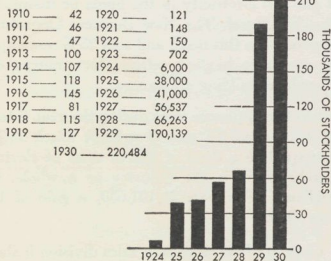
Registered security holders of the System number 220,484 and are found in every State of the United States, and in 25 other countries and their dependencies. New York leads the States with 81,679 security holders, and Holland the countries abroad with 5,875. About half of these security holders are Associated customers and employees.





ASSOCIATED GAS AND ELECTRIC SYSTEM

Number of Stockholders



CUSTOMER-OWNERSHIP

Security sales of \$20,719,892 concluded a satisfactory year's operation of the Customer-Ownership Department. The number of investors was increased by 30,345, of whom 25,385, (more than 80%) were customers residing in territory on the lines of the Associated Gas and Electric System.

Since the start of customer-ownership activities in 1922, Associated customers have invested \$94,159,731. As of the close of the year there were 98,385 customer investors. This means that 1 in 15 of the service customers hold Associated securities.

The customer investors equal 45% of the 220,484 total registered security holders.

NEW BUSINESS DEPARTMENT

The New Business Department has become a reliable and important means for securing increased electric and gas load since its organization on a centralized basis in 1926. The estimated annual revenue from new business obtained in 1930 showed an increase of 45% over 1929. Estimated additional revenue to be derived from the sale of electricity and gas attributable to each application of 1930, is as follows:

Electric

Power Sales.....	\$2,834,000
Appliance Sales.....	1,241,000
Commercial and Industrial Lighting Sales...	1,069,000
Street Lighting Sales.....	329,000
New Domestic Customers.....	1,062,000
Total.....	\$6,535,000

Gas

Commercial and Industrial Sales.....	\$ 381,000
Home Heating Sales.....	222,000
Appliance Sales.....	398,000
New Domestic Customers.....	165,000
Total.....	\$1,166,000

Industrial and Commercial Electric Heating divisions have been created and surveys of prospective business were completed by several of the operating companies. Important electric heating

applications made during the year in bakeries, in steel foundries, electric pasteurizers for milk plants and electric chicken hatcheries, indicate the growing importance of electric heating as an outlet for energy sales.

Combined steam and electric service for Harvard University is resulting in an increased annual revenue of more than \$250,000 in addition to making possible greater economies in the production of steam and electricity in the operating company's power station. Service for the Delaware, Lackawanna and Western Railroad electrification began during the year with power requirements in excess of the original estimates. In the Southern properties, important additions to power load resulted from extension of refrigeration to fruit packing plants and from truck farm irrigation.

Contacts with architects and builders coincident with the growing popularity of floodlighting for buildings and athletic fields brought increased commercial lighting sales. Street lighting expanded as a result of preparing five-year programs for municipalities. Thus the ultimate desirable street lighting installation is kept constantly before the governing bodies of the municipalities.

New residential gas heating business represented an increase of 37% over the results in 1929. Surveys



were conducted of the available market for the sale of gas to hotels, restaurants, bakeries, and assistance was given to the operating companies in promoting the further utilization of gas for industrial processes.

The Industrial Development Division was actively engaged in the establishment of new industrial enterprises throughout the System and cooperated in the expansion program of numerous concerns now served. During the year, in excess of 150 new industries planned location in Associated territory and 268 industrial customers expanded operations.

Extension of electric lines and gas mains and the wiring and piping of old and new houses on existing lines resulted in 35,414 new domestic electric customers and 5,510 new domestic gas customers. With the addition of other customers

thru normal growth there was a net increase of 41,677 electric and gas customers during the year.

Generally curtailed industrial activity during the year made it unusually desirable that the use of gas and electricity in the home be maintained at a high level. The New Business Department responded to this need, and sold 23% more appliances—water heaters, refrigerators, ranges, and other load-building appliances.

Electric appliance sales during the year totalled \$7,362,634, a 24% gain over 1929, which may be compared to a drop of 8% in sales of electrical merchandise for the industry as a whole. Gas appliance sales were \$2,101,630, a gain of 19% over 1929.

Growth of the appliance sales division is shown by the following record:

<i>Gas and Electric Appliance Sales</i>	1930	1929	1928	1927
Gross sales of electric and gas appliances.....	\$9,464,264	\$7,678,558	\$2,544,448	\$ 677,825
Estimated annual revenue from use of appliances sold....	1,638,107	1,164,000	611,152	218,218
Number of appliance salesmen at end of period.....	525	650	227	135
Number of appliance stores.....	165	171	94	52

RESIDENTIAL AND COMMERCIAL RATES

Residential and commercial customers throughout practically the entire gas and electric areas served have had the opportunity of making larger use of their services at a progressively lower cost. This was made possible by inducement types of rates consisting of a low energy charge plus a moderate service charge.

The policy of permitting consumers to earn lower rates resulted in materially larger use of electricity and gas during 1930. Despite lower average rates than in 1929, the revenues per customer showed a gain, reflecting the extent to which consumers took advantage of their opportunities.

HISTORICAL NOTE

The Associated System, one of the five oldest public utility groups in the United States, will observe in 1931 the completion of a quarter century of group management. It was on March 17, 1906 that the Associated Gas and Electric Company, with its principal office at Ithaca, New York, was incorporated for the purpose of bringing together a group of gas and electric properties under common management.

These twenty-five years have seen the making of the electric light and power industry and the rejuvenation of the gas industry. But the growth of the Associated System has more than paralleled that of these industries. From 8,000 customers in 1906 it has grown to 1,430,000 customers. The original Associated Companies are still part of the Associated System, the oldest being the Ithaca Gas Light Company, which was established in 1852. Thus the Associated System is, in effect, 79 years old.

In 1926, the New England Gas and Electric Association was formed. It is a part of the Associated System reporting separately. Its properties serve leading New England cities, including Worcester, Cambridge, New Bedford, Massachusetts; Portsmouth, New Hampshire and the Maritime Provinces of Canada. The General Gas and Electric Corporation, which likewise reports separately, became a part of the Associated System in 1929. Its properties serve in central Florida, and Columbia and adjacent areas in South Carolina.



ASSOCIATED GAS AND ELECTRIC COMPANY

ANNUAL REPORT

For the Year Ended December 31, 1930

PRINCIPAL unit of the System is the Associated Gas and Electric Company, the subsidiaries of which are divided for operating purposes into eleven groups. These are Northwestern New York, Southwestern New York, Central New York, Eastern New York, Staten Island, Long Island, Metropolitan Edison-New Jersey, Western Pennsylvania, Kentucky-Tennessee-Indiana-Missouri-American Utilities, Gas Utilities, Manila. These properties serve 1,122,167 customers.

Comparison of Operating Results of Company and Subsidiaries

ONLY SINCE DATES OF ACQUISITION

	Year ended December 31,		Increase	
	1930	1929	Amount	%
Gross Earnings (including Other Income).....	\$93,623,052.30	\$79,540,913.90	\$14,082,138.40	17.7
Operating Expenses, Maintenance, All Taxes, etc.	\$45,324,138.80	\$36,299,957.85	\$ 9,024,180.95	24.9
Provision for Retirement (Renewals, Replacements), of Fixed Capital—Depreciation, etc.	4,849,192.79	3,371,076.72	1,478,116.07	43.8
Total Operating Expenses.....	\$50,173,331.59	\$39,671,034.57	\$10,502,297.02	26.5
Gross Income	\$43,449,720.71	\$39,869,879.33	\$ 3,579,841.38	9.0
Fixed Deductions from Income:				
Subsidiary Companies	\$ 8,093,913.24	\$ 7,754,473.52	\$ 339,439.72	4.4
Group Companies	2,283,676.27	2,452,843.85	169,167.58*	6.9*
Associated Gas and Electric Company	12,123,187.21	10,918,678.32	1,204,508.89	11.0
Total Fixed Deductions from Income.....	\$22,500,776.72	\$21,125,995.69	\$ 1,374,781.03	6.5
Balance	\$20,948,943.99	\$18,743,883.64	\$ 2,205,060.35	11.8

*Decrease

Total gross revenues of the Company in 1930 including other income, but not including any non-recurring income or profit from sales of securities, were \$93,623,052; net after depreciation \$43,449,720. Earnings were equivalent to \$2.30 per share on the average number of shares of Class A Stock outstanding.

The substantial accomplishment of the last half decade is best measured by the constantly improving earnings ratio to fixed deductions as shown in table opposite:

Year	Times Earned "Over-all"	
	Before Depreciation	After Depreciation
1926	1.84	1.62
1927	1.99	1.79
1928	2.12	1.90
1929	2.05	1.89
1930	2.15	1.93



The change from the corresponding figure for 1929, of earnings on the stock was caused largely by the issuance of additional Class A stock toward the close of 1929. The proceeds from this additional stock were used to retire a large amount of prior charge securities and to discharge current liabilities incurred in the purchase of the General Gas and Electric Corporation and the Rochester Central Power Corporation.

Both gross and net earnings of the company showed a gain for the year in spite of the fact that 1930 was a subnormal year, while 1929 was an abnormally good business year. This latter fact of course had an adverse effect on the net earnings as did also the substantially increased provision for retirement (renewals, replacements), of fixed capital—depreciation, etc.

From the viewpoint of inherent stability of earnings, the electric and gas utilities led other industries during 1930. This stability should tend to increase by reason of the growing importance of domestic electric and gas service. This type of service is noticeably less variable than industrial consumption, from the standpoint both of amount used and revenues received. Associated properties have above average opportunities, as measured by purchasing power of inhabitants in the electric areas served, Census figures show that the per capita value of manufactured, mining and agricultural products in counties in which the Associated properties serve at least half of the pop-

ulation is \$685, compared with \$631 in all counties of the United States having electric service.

In spite of current political agitation, there is little real demand from the general public for reduction of rates. Constant readjustments of schedules will continue to be made to stimulate increased use of the services. A survey, conducted on an impartial scientific basis among electric and gas customers during the year, showed that they were, on the whole, well satisfied with the gas and electric service received. 4,000 electric and gas customers selected at random from among several million in 79 communities in five states were asked, "Have you had any trouble with your gas and electric service?" 95.2% electric and 92% gas consumers had no difficulty whatever with their service during the past year.

Well managed utility companies probably have little or nothing to fear from an investigation of their charges and practices. While the history of public regulation in the United States has involved many threats, there have been few actual injuries to the companies. History may reasonably be counted upon to repeat itself with respect to utility companies.

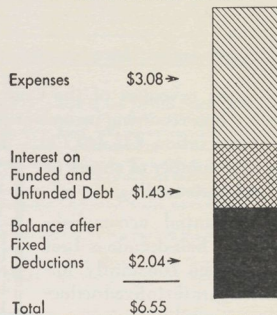
With demonstrated stability of earnings coupled with growth well assured, and profit margins safeguarded by prospects of continuing economies in production costs, the electric and gas industries stand in a preeminent investment position.

FINANCING

The Associated plan of finance is to restrict to a minimum issues of bonds and preferred stocks of operating subsidiaries. All new money needed is obtained as far as practicable through the issuance of securities of the parent company.

This concentration of financing in the hands of the parent company provides a wider diversification of business and earnings for its securities. The many operating units geographically dispersed make possible larger individual security issues which have wider distribution and greater marketability than would be possible in the case of single operating units. Moreover, the restriction of underlying company securities makes the earnings more directly applicable to the securities of the parent company.

DISPOSITION OF AVERAGE MONTHLY REVENUE PER CUSTOMER





In addition to obtaining new money needed for operating properties on the most advantageous basis, this plan of finance has made possible the acquisition of new properties on a scale that could not have been realized otherwise. Group management resulting from such acquisition has been mainly responsible for the large growth and development of the utility industry during the past quarter century.

COMMENT BY LONDON FINANCIAL TIMES

The following comment on the Associated plan of finance made in the Financial Times of London, August 29, 1928, sets forth the essential features of this program which is being continued.

"In no country has the development of public utility enterprises made greater progress than in

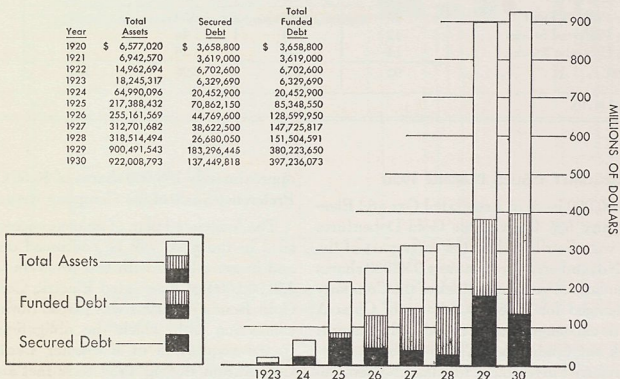
the United States. Some of the powerful corporations that exist today had very humble beginnings, but, thanks to a process of systematic consolidations and absorptions, they now serve territories and populations vastly greater than their original sponsors had in contemplation. The fusion of geographical units, moreover, has invariably resulted in large economies and greater efficiency.

"A typical American example of the new movement towards concentration, both administrative and financial, is furnished by the Associated Gas and Electric System, which (was) established as a small gas company in Ithaca, New York State, seventy-six years ago (1852) . . . Where the consolidated undertaking has most conspicuously scored is in the lowering of the cost of financing its extended operations. Previously the tendency

One of the outstanding facts of the financial structure of the Company is the small amount of funded debt, being only 43% of the total assets of the Company in 1930 and the secured debt which is only 15% of such assets.

ASSOCIATED GAS AND ELECTRIC COMPANY and Subsidiary and Affiliated Companies

Comparison of Total Assets with Funded Debt and Mortgage and Secured Debt





was for public utility corporations to have all bond issues rest upon local units, the parent company usually holding the Common and sometimes the Preferred stock, and its assets consisting solely of its equity in the operating units. The parent organization in this way secured dominating control, leaving to its subsidiary enterprises the task of finding through bond issues the capital necessary for their development.

"The Associated group has changed all that by the adoption of a new policy. Issues of bonds and Preferred stocks of operating subsidiaries were reduced to a minimum, and, in the words of the directors, the credit of the parent corporation was built up to a point where it could obtain all the new money needed for its operating properties through the issuance of its own securities."

124 UNDERLYING, 3 PARENT COMPANY ISSUES RETIRED

Following its group financing plan, the Company made considerable progress during the year

in reducing further the number of underlying security issues.

At the end of 1925 there were outstanding 93 underlying issues and 8 parent company issues. At the end of 1930 there were 102 underlying issues and 14 parent company issues. But these five years saw the Associated Company's greatest period of expansion, a period during which there were added 133 underlying issues and 9 parent company issues. These 133 new issues were constituted almost entirely of underlying securities of properties acquired, and were not the result of additional underlying security financing.

The accomplishment of the Associated plan of finance in these five years was the retirement of 124 underlying issues and 3 parent company issues, in addition to a very considerable reduction in the size of other outstanding underlying issues which is not reflected in these figures.

Progress made during the five years, 1925-1930 in the reduction of underlying issues is noted in the following table:

	<i>Issues at Dec. 1925</i>	<i>Additions to Dec. 1930</i>	<i>Total</i>	<i>Retirements to Dec. 1930</i>	<i>Issues at Dec. 1930</i>
Parent Company Funded Debt. . . .	3	8	11	3	8
Parent Company C. O. Debentures*	1	0	1	0	1
Parent Company Preferred Stocks*	1	1	2	0	2
Parent Company A, B, and Common	3	0	3	0	3
TOTAL	8	9	17	3	14
Underlying Funded Debt.	67	83	150	83	67
Underlying Preferred Stocks.	12	34	46	23	23
Underlying Common Stocks.	14	16	30	18	12
TOTAL	93	133	226	124	102

* In several series

SECURITY ISSUES DURING 1930

A \$39,000,000 issue of Associated Gas and Electric Company 5% Convertible Gold Debentures due 1950 was distributed in the early part of the year. In November, approximately 930,000 shares of \$4 Cumulative Preference Stock of the Company were exchanged for 1,860,000 shares of Class A Stock. This exchange greatly reduced the amount of A Stock outstanding, and at the same time provided a preferred investment for those holders desiring to make a change. During the same month,

approximately 108,000 shares of \$6.50 Cumulative Preference Stock of the Company were also issued.

The Associated plan of finance, successfully pursued in the past, will be continued during 1931, and in accordance with this program, an issue of \$32,000,000 of Associated Electric Company 5% Gold Bonds due 1961 was placed during April in connection with which the obligations relative to the acquisition of Rochester Central Power Corporation during 1929 were met and satisfactorily settled.



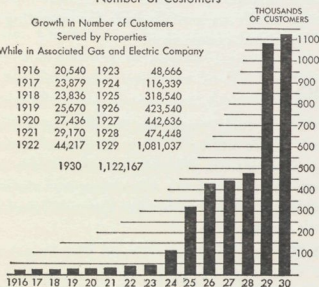
1,122,167 CUSTOMERS

ASSOCIATED GAS AND ELECTRIC COMPANY Number of Customers

Growth in Number of Customers
Served by Properties
While in Associated Gas and Electric Company

1916	20,540	1923	48,666
1917	23,879	1924	116,339
1918	23,836	1925	318,540
1919	25,670	1926	423,540
1920	27,436	1927	442,656
1921	29,170	1928	474,448
1922	44,217	1929	1,081,037

1930 1,122,167



The Associated Gas and Electric Company properties gained 41,130 customers for their electric, gas, and other services, to make a total of 1,122,167 now served. This compared favorably with the record of the Associated System which increased its customers by 43,258 to a total of 1,430,681. The entire electric industry in the United States gained 554,789 customers during the year, and the manufactured gas industry 4,269.

Largest of the groups of the properties in the Company is Northwestern New York, serving 141,000 electric and 111,000 gas customers in Rochester and adjacent area. Metropolitan-New Jersey, next in size, serves 143,000 electric and 21,800 gas customers in Eastern Pennsylvania and New Jersey.

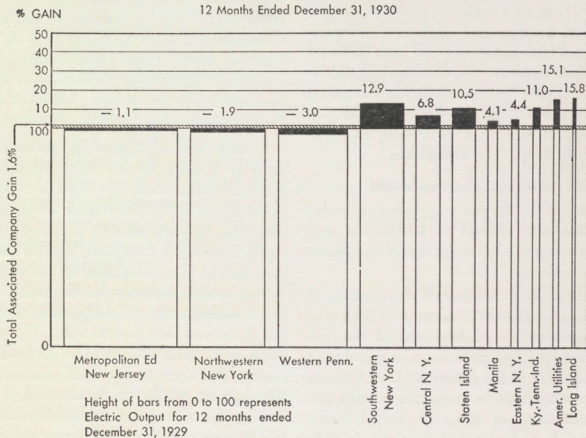
STRENGTH FROM DIVERSITY

Areas served by the Associated Company vary widely in location and characteristics. The 3,000 communities served by the operating subsidiaries

are situated in 21 states and the Philippine Islands. They range in size from agricultural villages to great industrial cities. It is generally true that

ASSOCIATED GAS AND ELECTRIC COMPANY ELECTRIC OUTPUT

12 Months Ended December 31, 1930



Height of bars from 0 to 100 represents Electric Output for 12 months ended December 31, 1929

Scale above 100 represents % gain for 12 months ended December 31, 1930 over 12 months ended December 31, 1929

Width of bars indicates relative total output of Groups of Properties for 1930 period



local conditions which might have a bad effect on one section's business are offset by conditions better than usual in other areas. As a result, the Company's business is maintained at a good average level.

The 1.6% average gain in electric output as

shown by the chart illustrates the business stability resulting from geographical diversity of properties in the Associated Gas and Electric Company. The groups shown by bars of the chart represent groups which are kept separate for operating convenience and comparison.

AUDITING

In view of current political criticism of public utilities, the Associated Gas and Electric Company is fortunate in that it has always maintained a careful system of auditing.

The Associated System maintains a staff of auditors who examine accounts of local offices throughout the System, inspecting consumers' accounts receivable, consumers' meter deposits, reports on collections, receipts for materials and supplies, payrolls, and to see that customers' bills are in agreement with meter readings.

Other auditors who are not concerned with the daily business involving the local accounts, scrutinize all financial transactions of the subsidiary, affiliated, and auxiliary companies that ultimately find their way into the financial statements of the Company. Their work includes examination of vouchers covering all expenditures for operation or construction, location and inspection of securities owned, and reconciliation of all cash balances with the various depositories. Outstanding stocks and bonds as shown by the books are compared with the records of transfer agents and trustees to make sure that all securities have been issued in accordance with proper authorizations.

WIDELY EXPERIENCED PERSONNEL

The accounts of the various companies are under the supervision and control of accounting and financial men who have had long experience in the public utility business.

H. C. Hasbrouck, a member of the Associated auditing staff, is the present Chairman of the Committee on Classification of Accounts of the National Electric Light Association, and a member of a similar committee of the American Gas Association. These committees, in cooperation with the National Association of Railway and Utilities Commissioners, have had a great deal to do with devising the rules and regulations which are enforced by state commissions all over the United States. These accounting rules, altho not required

by law for such companies, are also the guide for most public utility holding companies' accounting. In addition, Mr. Hasbrouck was for many years the head of the accounting and statistical division of the Public Service Commission of New York State.

H. C. Hopson, Treasurer and Vice President of the Company, in charge of all accounting and financial activities, was with the financial and statistical section of the Interstate Commerce Commission, and later, from 1908 to 1915, first head and organizer of the Division of Capitalization which handled all the financial matters of the Public Service Commission of New York. He is also a Certified Public Accountant.

J. M. Daly, also a Vice President, who assists in supervising auditing, financial and statistical activities, received training with the Public Service Commission of New York, as did G. A. Wood, who together with George Geekie, formerly with the Interstate Commerce Commission, are actively connected with the auditing affairs of the System. Both the latter are Certified Public Accountants.

In this connection, it is appropriate to mention DeWitt Clinton of the New England Gas and Electric Association. Mr. Clinton was for many years Treasurer of the city of Worcester, Massachusetts. He then became Treasurer of the Worcester Gas Light Company, one of the oldest and best known gas companies in the United States. While in this capacity he became a member of the Committee on Classification of Accounts of the American Gas Association. Upon the formation of the New England Gas and Electric Association he became its chief accounting officer. Through his death, which occurred at the time of writing this report, the Associated Gas and Electric System and the gas industry suffered the loss of a man of high character who was thoroughly trained in sound accounting principles and practices.



INDEPENDENT AUDITS

Because of the rapid growth of the Company, it has been considered wise to continue independent audits, a practice begun when the Company was smaller. Consulting advice and practical comments from auditors of national reputation have thus also been made available for the Associated Gas and Electric Company and the several major affiliated and subsidiary companies. These auditors examine the official current reports of the companies and the audits of other public accountants of certain of the subsidiary companies and from this information, and their own independent audits,

verify the compilation of the consolidated statements to which their certificate has regularly been attached for many years.

Messrs. Haskins and Sells do most of this. This firm has audited the accounts of the Associated Gas and Electric Company since the issuance of the first report of the Company 21 years ago. Other firms of similar standing have from time to time made regular and special audits of various companies in the System.

At the time of the writing of this report the customary examination of the records for the year 1930 is under way, and the reports of such examinations are being received as they are completed.

CONCLUSION

At the time of releasing this report (May 20, 1931,) it appears that the results for the current year will differ little from those of 1930. Normal business, it is expected, will not return before 1932. Realization of earnings from the large number of load-building appliances placed and to be placed on the lines, should show a substantial increase in the earnings applicable to the equity stock at that time. In addition, the securities issued in payment on the acquisition of operating properties will have become more completely digested. This should make possible financing on a more economical basis, with consequent larger earnings for the equity stocks.

The company, at the present time, is in a strong position from the standpoint of relationship of equity securities to debt and fixed income charges. Security holders have reason to feel well pleased with the improvement in the company's financial structure, which was necessary in order to bring about safely the increase in its size and at the same time the enhancement of stability.

There was little liquidation of Associated stocks and other securities of the company by holders

during the year. The Class A stock, which is the most widely held security of the company, has been steadily acquired by a constantly increasing number of holders, indicating their fundamental confidence in the continued and growing success of this enterprise.

Comprehensive data have been assembled in this report showing in statistical and graphic form the vital facts of the growth of the company over a considerable period of years. In this time of pessimism, when the investing public is inclined to look only at the current nearby situation, it is particularly important to consider the progress of a business from a long range point of view. The facts here presented indicate the progressive expansion and seasoned soundness of the company which this year has passed the 25th milestone since its foundation in 1906.

Respectfully submitted,

FOR THE BOARD OF DIRECTORS,

J. I. MANGE,

President



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

CONDENSED CONSOLIDATED INCOME ACCOUNT

For the year ended December 31, 1950

(Income of Companies acquired during the year is included only from approximate dates of acquisition to December 31, 1950)

OPERATING REVENUES:

This represents the amount billed to customers for electricity, gas, water, etc.

Electric.....	\$63,921,577.29	
Gas.....	12,061,832.39	
Water, Transportation, Heat and Miscellaneous.....	8,235,885.06	
Total Operating Revenues.....		\$84,219,292.74

OPERATING EXPENSES, MAINTENANCE AND TAXES (including Companies' Accruals for 1950 Federal Income Taxes).....

\$45,324,138.80

Covers all the expenses of operation, including maintenance, materials, purchased electricity, accounting, management, etc.

PROVISION FOR RETIREMENT (RENEWALS, REPLACEMENTS), OF FIXED CAPITAL—DEPRECIATION, ETC.....

4,849,192.79

The amount accrued for retiring property due to obsolescence or inadequacy.

Total Operating Expenses, Etc..... 50,173,331.59

OPERATING INCOME.....

\$34,045,961.15

Amount remaining after all expenses and taxes have been deducted.

OTHER INCOME:

Earnings of Non-utility Subsidiaries (not included in consolidation) applicable to Associated Gas and Electric Company.....

5,004,272.28

Income from Affiliated Holding and Investment Companies.....

3,247,263.20

Other Interest, Dividends and Miscellaneous Non-operating Net Income.....

1,152,224.08

GROSS INCOME.....

\$43,449,720.71

LESS—FIXED CHARGES AND OTHER DEDUCTIONS:

Subsidiary Companies:

Subsidiary Companies' Interest on Funded and Unfunded Debt (less Interest during Construction).....

\$ 5,393,891.98

Subsidiary Companies' Preferred Stock Dividends.....

2,479,035.81

Group Companies' Interest on Funded Debt and Preferred Stock Dividends

2,283,676.27

Income applicable to Common Stocks of Subsidiary Companies held by the Public.....

220,985.45

10,377,589.51

BALANCE.....

\$33,072,131.20

Fixed Interest Requirements of Associated Gas and Electric Company:

Funded Debt.....

\$11,250,372.31

Unfunded Debt.....

872,814.90

12,123,187.21

Ratio showing
number of times
interest is earned.

Times Earned—Before Depreciation.....

3.13

Times Earned—After Depreciation.....

2.73

Times Earned "Over-all"—Before Depreciation.....

2.15

Times Earned "Over-all"—After Depreciation.....

1.93

BALANCE.....

\$20,948,943.99



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

STATEMENT OF CONSOLIDATED SURPLUS

For the year ended December 31, 1930

BALANCE—January 1, 1930.....	\$ 5,053,205.45	
Balance of Income, Year ended December 31, 1930.....	20,948,943.99	
Other Credits (Net).....	<u>313,142.67</u>	\$26,315,292.11
DEDUCTIONS:		
Interest on Obligations Convertible into Stock at Company's Option...	\$ 5,064,492.00	
Dividends on Preferred Stock	2,830,482.55	
Priority Dividends on Class A Stock	11,551,564.12	
Priority Dividends on Class B Stock	1,165,443.49	
Amortization.....	1,520,727.07	
Additional Provision for Retirement (Renewals, Replacements), of Fixed Capital—Depreciation, etc.....	<u>1,311,838.56</u>	23,244,547.79
BALANCE—December 31, 1930.....		<u>\$ 3,070,744.32</u>



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

CONDENSED CONSOLIDATED BALANCE SHEET

December 31, 1930

(After giving effect to funding in February 1931 of temporary obligations issued to acquire the Rochester Central Power Corporation.)

ASSETS SIDE

PLANT, PROPERTY, FRANCHISES AND COST OF ACQUIRING CAPITAL.....	\$753,895,078.51
This amount represents the value of generating equipment, systems for the transmission and distribution of electricity, gas, water, etc., and also includes the cost to the company of raising money through sale of stocks and obligations without fixed date of maturity.	
INVESTMENTS (Principally Investments in and Advances (Net) to Subsidiary and Affiliated Companies not included in the Consolidation).....	123,567,554.26
The principal investments are in the General Gas & Electric Corporation and Eastern Utilities Investing Corporation.	
CASH.....	10,684,808.80
The cash in bank and on hand to pay current obligations.	
SPECIAL DEPOSITS.....	2,284,385.26
This includes cash deposits for specific purposes, such as funds for the payment of interest on bonds.	
ACCOUNTS RECEIVABLE—CONSUMERS, LESS RESERVE.....	7,444,851.15
The amount of money due the operating companies for gas, electricity, water and other utility services.	
NOTES AND ACCOUNTS RECEIVABLE—MISCELLANEOUS.....	6,697,496.27
The amount of money due from purchasers of gas and electric appliances, and from other miscellaneous sources.	
MATERIALS AND SUPPLIES.....	5,830,377.87
The cost of all supplies carried in stock necessary for efficient and prompt service. This includes coal, oil, cable, wire, gas pipe, poles, repair parts, etc.	
SINKING FUNDS FOR RETIREMENT OF BONDS.....	165,462.65
This includes cash deposits with trustees to conform with indenture requirements.	
PREPAID EXPENSES.....	625,389.20
The amount of insurance premiums, taxes, etc. paid in advance and not as yet chargeable to expenses.	
MISCELLANEOUS ITEMS IN SUSPENSE.....	3,418,221.48
Miscellaneous expenditures, the final disposition of which has not been determined and items being written off over a period of years.	
UNAMORTIZED DEBT DISCOUNT AND EXPENSE.....	7,395,168.10
The balance of discount and expense in connection with the issue and sale of bonds, to be charged off over the life of the various bond issues.	
TOTAL ASSETS SIDE.....	<u>\$922,008,793.55</u>



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

CONDENSED CONSOLIDATED BALANCE SHEET

December 31, 1930

(After giving effect to funding in February 1931 of temporary obligations issued to acquire the Rochester Central Power Corporation)

LIABILITIES SIDE AND CAPITAL

CAPITAL STOCK AND SURPLUS:

Associated Gas and Electric Company:

Preferred Stocks, Class A (4,176,392 shares) and B (614,366 shares) Stocks and Common Stock (1,494,777 shares)—Capital and Surplus..... \$317,475,178.25

Subsidiary Companies:

Preferred Stocks—Stated at Liquidation Values..... \$ 48,895,130.00
Common Stocks and Surplus Applicable Thereto..... 2,721,468.21 51,614,598.21

TOTAL CAPITAL STOCK AND SURPLUS..... \$369,089,776.46

OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION..... 76,003,224.00

Various debentures without fixed date of maturity which by their terms are now convertible into some class of the Company's capital stock at the option of the Company.

FUNDED DEBT:

Associated Gas and Electric Company:

5½% Convertible Investment Certificates..... \$ 27,665,325.00
5½% Convertible Gold Debentures due 1977..... 5,993,000.00
5% Gold Debenture Bonds Consolidated Refunding due 1968 49,413,480.00
4½% Convertible Gold Debentures due 1949..... 51,740,700.00
4½% Convertible Gold Debentures due 1948..... 3,872,040.00
5% Convertible Gold Debentures due 1950..... 37,139,000.00
Other..... 27,160,503.39 \$202,984,048.39

Subsidiary Companies' Bonds Held by Public:

Group Companies..... \$ 65,634,000.00
Other Subsidiaries..... 128,618,025.00 194,252,025.00

TOTAL FUNDED DEBT..... 397,236,073.39

NOTES PAYABLE..... 15,005,084.00

Loans incurred to meet current construction expenditures.

ACCOUNTS PAYABLE..... 3,060,540.97

The total bills rendered for materials, services and other items, approved for payment.

ACCRUED INTEREST, DIVIDENDS AND MISCELLANEOUS..... 10,227,875.98

The amount of interest, dividends, etc. applicable to 1930 but not yet due for payment.

ACCRUED TAXES..... 2,623,661.19

The total of taxes applicable to the year 1930 which are accrued but not yet due.

CONSUMERS' DEPOSITS..... 3,716,830.82

The amount deposited by gas, electric, water and other consumers as security for payment of their bills.

RESERVE FOR RENEWALS, REPLACEMENTS AND RETIREMENT OF PROPERTY 40,169,863.43

The amount reserved for replacing or retiring property as it wears out, becomes obsolete or inadequate, and is for the protection of the holders of the Company's securities.

OTHER RESERVES..... 4,985,863.31

Miscellaneous reserves to cover various contingencies.

TOTAL LIABILITIES SIDE AND CAPITAL..... \$922,008,793.55



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1926 to 1930 inclusive

ASSETS SIDE

	1930	1929	1928	1927	1926
CAPITAL ASSETS:					
Plant, Property, Franchises and Cost of Acquiring Capital.....	\$753,895,078.51	\$634,940,391.96	\$242,091,175.42	\$236,312,524.24	\$231,258,132.70
Investments (Including Investments in and Advances (net) to Subsidiary and Affiliated Companies not included in the Consolidation).....	123,567,554.26	228,386,863.82	51,417,044.31	58,957,542.09	1,248,851.98
Total Capital Assets	\$877,462,632.77	\$863,327,255.78	\$293,508,219.73	\$295,270,066.33	\$232,506,984.68
CURRENT ASSETS:					
Cash, Call Loans and Special Deposits.....	12,969,194.06	11,698,402.69	7,013,643.71	5,717,510.94	9,047,200.91
Accounts Receivable: Consumers, less reserve.....	7,444,851.15	6,636,394.45	2,599,244.54	2,853,844.96	3,083,753.04
Notes and Accounts Receivable, Miscellaneous.....	6,697,496.27	4,342,093.11	4,007,344.14	4,371,311.16	6,259,352.33
Materials and Supplies.....	5,850,377.87	6,600,466.82	2,555,911.57	2,926,419.38	3,164,174.97
Total Current Assets	\$ 32,941,919.35	\$ 29,277,357.07	\$ 16,176,143.96	\$ 15,869,086.44	\$ 21,554,481.25
SINKING FUNDS for Retirement of Bonds.....	165,462.65	106,706.45	39,638.30	81,356.48	184,215.99
DEFERRED CHARGES:					
Prepaid Expenses.....	625,389.20	644,039.68	434,436.44	457,283.20	477,361.97
Miscellaneous Items in Suspense.....	3,418,221.48	4,631,684.21	1,059,775.84	1,023,889.72	438,525.75
Unamortized Debt Discount and Expense.....	7,395,168.10	2,504,499.71	7,296,279.99	—	—
Total Deferred Charges	\$ 11,438,778.78	\$ 7,780,223.60	\$ 8,790,492.27	\$ 1,481,172.92	\$ 915,887.72
TOTAL ASSETS SIDE	\$922,008,793.55	\$900,491,642.90	\$318,514,494.26	\$312,701,682.17	\$255,161,669.64



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1926 to 1930 inclusive

LIABILITIES SIDE AND CAPITAL

	1930	1929	1928	1927	1926
CAPITAL STOCK AND SURPLUS:					
Preferred Stocks, Class A and B Stocks and Common Stock, Capital and Surplus.....	\$317,475,178.25	\$286,044,320.67	\$100,206,602.90	\$ 99,964,991.41	\$ 79,195,935.60
SUBSIDIARY AND AFFILIATED COMPANIES' STOCKS:					
Preferred Stocks.....	48,893,130.00	52,151,139.00	145,015.00	4,504,970.00	6,415,200.00
Common Stocks and Surplus Applicable Thereto.....	2,721,468.21	3,884,091.31	3,400.00	42,423.75	8,207.43
Total Subsidiary and Affiliated Companies' Stocks.....	\$ 51,614,598.21	\$ 56,035,230.31	\$ 148,415.00	\$ 4,547,393.75	\$ 6,423,407.43
OBLIGATIONS Convertible into Stock at Company's Option.	76,003,224.00	89,392,119.03	16,332,548.43	13,459,350.00	6,104,150.00
FUNDED DEBT:					
Associated Gas and Electric Company.....	202,984,048.39	217,834,661.75	106,869,541.00	47,873,317.50	18,831,350.00
Group Companies.....	65,634,000.00	36,592,500.00	17,955,000.00	61,230,000.00	64,999,000.00
Subsidiary and Affiliated Companies.....	128,618,025.00	125,796,488.54	26,680,050.00	38,622,500.00	44,769,600.00
Total Funded Debt....	\$397,236,073.39	\$380,223,650.29	\$151,504,591.00	\$147,725,817.50	\$128,599,950.00
PROPERTY PURCHASE and Stock Contract Obligations.....	—	—	1,986,483.81	2,393,724.00	1,385,827.00
CURRENT LIABILITIES:					
Notes Payable.....	15,005,084.00	32,428,058.04	21,893,837.93	20,717,066.55	8,097,316.67
Accounts Payable.....	3,060,540.97	6,862,508.33	3,388,732.26	1,400,721.82	2,806,616.43
Accrued Interest, Dividends and Miscellaneous Accounts.....	10,227,875.98	10,469,741.14	3,521,729.62	3,469,747.48	2,811,117.23
Accrued Taxes.....	2,523,661.19	3,984,398.95	1,610,466.41	1,461,324.66	1,232,918.12
Total Current Liabilities	\$ 30,817,162.14	\$ 53,744,706.46	\$ 30,414,766.22	\$ 27,048,860.51	\$ 14,947,968.45
CONSUMERS' DEPOSITS.....	3,716,830.82	4,813,958.94	1,950,523.59	1,861,373.82	1,648,526.35
RESERVES:					
Renewals, Replacements and Retirement of Property...	40,159,863.43	28,200,377.38	14,439,574.63	12,702,032.63	14,279,659.45
Other Reserves.....	4,985,863.31	2,037,179.82	1,530,988.68	2,998,138.55	2,576,145.36
Total Reserves.....	\$ 45,145,726.74	\$ 30,237,557.20	\$ 15,970,563.31	\$ 15,700,171.18	\$ 16,855,804.81
TOTAL LIABILITIES SIDE AND CAPITAL.....	\$922,008,793.55	\$900,491,542.90	\$318,514,494.26	\$312,701,682.17	\$255,161,569.64



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

COMPARATIVE CONSOLIDATED INCOME ACCOUNT

ONLY SINCE DATES OF ACQUISITION

	<i>For years ended December 31st</i>				
	1930	1929	1928	1927	1926
OPERATING REVENUES:					
Electric.....	\$63,921,577.29	\$54,878,680.51	\$24,531,431.00	\$23,302,139.58	\$21,504,148.71
Gas.....	12,061,832.39	9,636,030.66	4,490,146.54	4,147,801.08	2,188,593.13
Water, Transportation, Heat and Miscellaneous.....	8,235,883.06	4,388,542.46	3,335,535.77	3,873,346.21	4,370,284.09
Total.....	\$84,219,292.74	\$68,903,253.63	\$32,357,113.31	\$31,323,286.87	\$28,063,025.93
OPERATING EXPENSES, Maintenance and Taxes.....	45,324,138.80	36,299,957.85	18,290,276.40	18,264,654.74	15,521,978.16
PROVISION FOR RETIREMENT (Re- newals, Replacements), of Fixed Capital—Depreciation, etc.....	4,849,192.79	3,371,076.72	1,830,454.52	1,698,731.00	1,627,193.10
Total.....	\$50,173,331.59	\$39,671,034.57	\$20,120,730.92	\$19,963,385.74	\$17,149,171.26
Operating Income.....	\$34,045,961.15	\$29,232,219.06	\$12,236,382.39	\$11,359,901.13	\$10,913,854.67
OTHER INCOME.....	9,403,759.56*	10,637,660.27	3,934,755.50	3,973,454.32	1,220,262.03
GROSS INCOME.....	\$43,449,720.71	\$39,869,879.33	\$16,171,137.89	\$15,333,355.45	\$12,134,116.70
Less FIXED CHARGES and Other De- ductions: Subsidiary and Affili- ated Companies.....	8,093,913.24	7,754,473.52	605,427.90	1,934,801.58	3,263,952.66
Group Companies.....	2,283,676.27	2,452,843.85	2,784,382.20	3,715,811.90	2,352,012.61
Total.....	\$10,377,589.51	\$10,207,317.37	\$ 3,389,810.10	\$ 5,650,613.48	\$ 5,615,965.27
Balance.....	\$33,072,131.20	\$29,662,561.96	\$12,781,327.79	\$ 9,682,741.97	\$ 6,518,151.43
FIXED INTEREST REQUIREMENTS of Associated Gas and Electric Co.:					
Interest on Funded Debt.....	11,250,372.31	7,763,685.06	4,072,947.72	2,359,539.64	1,437,841.28
Interest on Unfunded Debt....	872,814.90	3,154,993.26	1,031,175.18	530,662.93	413,517.95
Total.....	\$12,123,187.21	\$10,918,678.32	\$ 5,104,122.90	\$ 2,890,002.57	\$ 1,851,359.23
Times Earned "Over-all":					
Before Depreciation.....	2.15	2.05	2.12	1.99	1.84
After Depreciation.....	1.93	1.89	1.90	1.79	1.62
		<i>Ratio showing</i>	<i>number of times</i>	<i>interest is earned.</i>	
BALANCE.....	\$20,948,943.99	\$18,743,883.64	\$ 7,677,204.89	\$ 6,792,739.40	\$ 4,666,792.20

*For detail see page 18.



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL RECEIPTS AND CAPITAL DISBURSEMENTS

December 31, 1929 to December 31, 1950

(After giving effect to funding in February, 1951 of temporary obligations issued to acquire the Rochester Central Power Corporation)

CAPITAL RECEIPTS

CASH BALANCE, AT DECEMBER 31, 1929.....				\$ 11,698,402.69
BALANCE OF UNDISTRIBUTED EARNINGS—TRANSFERRED TO SURPLUS.....				20,948,943.99
INCREASE IN OPTIONAL AND OTHER RESERVES.....				14,908,169.54
CAPITAL ISSUES, INCLUDING CONVERSIONS AND EXCHANGES:				
PREFERRED STOCK OF COMPANY:				
\$7.00 Dividend Series.....	28,219 Shares	\$ 2,821,900.00		
\$5.00 Dividend Series.....	96,211 Shares	9,621,053.41	\$12,442,953.41	
PREFERENCE STOCK OF COMPANY:				
\$6.50 Cumulative Preference.....	108,775 Shares	\$10,877,500.00		
\$4.00 Cumulative Preference.....	934,539 Shares	46,726,950.00	57,604,450.00	
TOTAL STOCK.....			\$70,047,403.41	
FUNDED DEBT OF COMPANY:				
5% Convertible Gold Debentures, due 1950.....		\$37,139,000.00		
5% Convertible Gold Debentures, due 1965.....		23,900.00		
\$1.60 Interest Bearing Allotment Certificates.....		4,506,690.00		
\$8.00 Interest Bearing Allotment Certificates.....		10,510,280.00	52,179,870.00	122,227,273.41
CAPITAL STOCKS OF SUBSIDIARIES:				
Minority Common Stocks of Properties Acquired in 1930		\$ 187,292.68		
Preferred Stocks of Properties Acquired in 1930.....		3,402,000.00	\$ 3,589,292.68	
FUNDED DEBT OF SUBSIDIARIES:				
Funded Debt on Properties Acquired in 1930.....		\$ 4,674,800.00		
Group Companies.....		29,041,500.00		
Subsidiaries Bonds Issued.....		8,920,500.00	42,636,800.00	46,226,092.68
TOTAL CAPITAL RECEIPTS.....				\$216,008,882.31

CAPITAL DISBURSEMENTS

INCREASE IN CAPITAL ASSETS.....				\$ 14,135,376.99
INCREASE IN EXCESS OF CURRENT ASSETS OVER CURRENT LIABILITIES.....				9,054,225.51
INCREASE IN DEFERRED CHARGES.....				3,653,555.18
DECREASE IN NOTES PAYABLE.....				17,422,974.04
CAPITAL SECURITIES RETIRED THROUGH REDEMPTION, CONVERSION, PURCHASE OR EXCHANGE:				
PREFERRED STOCKS OF COMPANY:				
Original Series.....	3,049 Shares	\$ 152,450.00		
\$6.50 Dividend Series.....	14,409 Shares	1,440,900.00		
\$6.00 Dividend Series.....	11,292 Shares	1,129,200.00	\$ 2,722,550.00	
CLASS A, CLASS B AND COMMON STOCK AND CAPITAL SURPLUS:				
Class A—Net Decrease.....	1,640,979 Shares			
Class B—Increase.....	114,366 Shares		33,911,534.70	
Common—Net Decrease.....	208,761 Shares			
TOTAL STOCK.....			\$56,634,084.70	
OBLIGATIONS OF COMPANY CONVERTIBLE INTO STOCK.....		\$13,388,895.03		
FUNDED DEBT OF COMPANY.....		67,030,483.36	80,419,378.39	117,053,463.09
CAPITAL STOCKS OF SUBSIDIARIES:				
Common Stocks.....		\$ 1,349,915.78		
Preferred Stocks.....		6,660,009.00	\$ 8,009,924.78	
FUNDED DEBT OF SUBSIDIARIES.....			10,773,763.54	18,783,688.32
DIVIDENDS AND MISCELLANEOUS ITEMS CHARGED AGAINST SURPLUS (NET).....				22,931,405.12
TOTAL CAPITAL DISBURSEMENTS.....				\$203,039,688.25
CASH BALANCE AT DECEMBER 31, 1950.....				12,969,194.06
TOTAL.....				\$216,008,882.31



Associated Gas and Electric Company

COMPARATIVE CONDENSED INCOME ACCOUNT

	<i>For years ended December 31st</i>				
	1930	1929	1928	1927	1926
GROSS INCOME (Excluding non-recurring income items).....	\$33,873,687.08	\$26,413,104.75	\$12,676,316.99	\$ 8,876,400.64	\$ 6,080,082.71
FIXED CHARGES:					
Interest on Funded Debt...	11,296,962.77	7,968,117.67	4,176,072.72	2,359,339.64	1,440,743.02
Interest on Unfunded Debt..	1,194,736.46	3,154,993.26	1,032,132.28	541,822.68	414,006.87
Total.....	\$12,491,699.23	\$11,123,110.93	\$ 5,208,205.00	\$ 2,901,162.32	\$ 1,854,749.89
Balance	\$21,381,987.85	\$15,289,993.82	\$ 7,468,111.99	\$ 5,975,238.32	\$ 4,225,332.82
Interest on Obligations Convertible into Stock at Company's Option.....	5,140,143.00	2,641,990.20	991,773.04	534,086.90	472,673.48
BALANCE Transferred to Surplus.....	\$16,241,844.85	\$12,648,003.62	\$ 6,476,338.95	\$ 5,441,151.42	\$ 3,752,659.34

Associated Gas and Electric Company

STATEMENT OF SURPLUS

For the year ended December 31, 1930

BALANCE—January 1, 1930	\$ 910,076.85	
Balance of Income, Year ended December 31, 1930.....	<u>16,241,844.85</u>	\$17,151,921.70
DEDUCTIONS:		
Dividends on Preferred Stock	\$ 2,830,482.55	
Priority Dividends on Class A Stock.....	11,355,230.79	
Priority Dividends on Class B Stock	1,165,443.49	
Amortization	776,399.11	
Miscellaneous.....	<u>10,166.62</u>	16,137,722.56
BALANCE—December 31, 1930		<u>\$ 1,014,199.14</u>



Associated Gas and Electric Company

COMPARATIVE BALANCE SHEET

December 31, 1926 to 1930 inclusive

(1930 adjusted to give effect to funding in February 1931 of temporary obligations issued to acquire the Rochester Central Power Corporation)

ASSETS SIDE

	1930	1929	1928	1927	1926
INVESTMENTS, Capital Assets and Advances to Subsidiary Companies.....	\$598,940,618.47	\$631,969,843.96	\$246,261,809.50	\$178,975,965.45	\$ 98,258,175.81
CURRENT ASSETS:					
Cash.....	8,148,653.72	9,696,800.42	5,805,085.18	4,471,411.68	6,036,256.66
Notes and Accounts Receivable	106,031.78	104,651.86	2,923,646.93	3,104,881.75	6,022,503.46
Total Current Assets...	\$ 8,254,685.50	\$ 9,801,452.28	\$ 8,728,732.11	\$ 7,576,293.43	\$ 12,058,760.12
DEFERRED CHARGES:					
Prepaid Accounts.....	75,289.40	90,485.14	117,391.64	80,709.83	53,147.43
Suspense.....	48,563.37	—	224,999.42	457,533.72	304,573.78
Unamortized Debt Discount and Expense.....	7,453,845.60	—	5,347,589.63	—	—
Total Deferred Charges.	\$ 7,577,698.37	\$ 90,485.14	\$ 5,689,980.69	\$ 538,243.55	\$ 357,721.21
TOTAL ASSETS SIDE.....	\$614,773,002.34	\$641,861,781.58	\$260,680,522.30	\$187,090,502.43	\$110,674,657.14

LIABILITIES SIDE AND CAPITAL

	1930	1929	1928	1927	1926
CAPITAL STOCK AND SURPLUS:					
Preferred, Class A and B Stocks and Common Stock —Capital and Surplus....	\$310,491,088.00	\$288,827,907.21	\$108,086,587.40	\$100,584,938.23	\$ 76,899,608.84
OBLIGATIONS CONVERTIBLE into Stock at the Company's Option	76,003,224.00	97,597,580.03	16,332,548.43	13,467,266.66	6,104,150.00
FUNDED DEBT.....	204,158,668.39	218,523,581.75	109,369,541.00	47,873,907.50	18,831,350.00
CONTRACTUAL OBLIGATIONS....	—	—	1,463,247.03	1,749,275.00	724,683.00
NOTES PAYABLE	15,000,000.00	26,970,000.00	21,504,400.00	20,535,000.00	4,650,000.00
ACCOUNTS PAYABLE.....	40,550.00	—	318,983.76	256,951.88	1,619,950.90
ACCRUED DIVIDENDS, Interest, and Miscellaneous Accounts.	6,741,747.88	9,154,834.74	3,597,653.24	1,311,122.32	474,433.80
RESERVES	2,337,724.07	788,077.65	7,761.44	1,512,040.84	1,370,480.60
TOTAL LIABILITIES SIDE AND CAPITAL.....	\$614,773,002.34	\$641,861,781.58	\$260,680,522.30	\$187,090,502.43	\$110,674,657.14



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

STATEMENT OF SECURITIES OUTSTANDING

Bonds of Subsidiary Companies	Interest Rate %	Amount Held by Public	Interest Dates	Interest Payable at (see reference page 31)	Trustee
ASSOCIATED ELECTRIC COMPANY:					
Gold Bonds, due 1953.....	4½	\$ 16,786,000	J & J-1	24-47	3
Gold Bonds, due 1961.....	5	26,348,000	J & J-1	24-47	3
AMERICAN UTILITIES COMPANY:					
First Lien and Refunding Gold Bonds, Series A, due 1945....	6	1,412,000	J & D-1	1-8	8
Gold Debenture Bonds due 1941.....	6½	362,000	M & N-1	1-8	1
BINGHAMTON LIGHT, HEAT & POWER COMPANY:					
First Refunding Mortgage, due 1946.....	5	7,136,000	A & O-1	24-47	3
BOLIVAR-RICHBURG ELECTRIC CORPORATION:					
First Mortgage, due 1937.....	6	31,000	J & D-1	30	30
CANADEA POWER CORPORATION:					
First Mortgage, due 1958.....	5	2,000,000	A & O-1	10	11
CHASM POWER COMPANY:					
First Mortgage, due serially to 1955.....	5	50,000	A & O-15	32	31
CITIZENS LIGHT, HEAT & POWER COMPANY OF PENNSYLVANIA					
First Mortgage, due 1934.....	5	1,182,000	M & N-1	16-26-27	20
DELAWARE GAS LIGHT COMPANY:					
First Mortgage, due 1939.....	5	144,000	J & J-1	33	33
DEPEW AND LANCASTER LIGHT POWER AND CONDUIT COMPANY:					
First Mortgage, due 1954.....	5	450,000	F & A-1	35	35
DU BOIS ELECTRIC AND TRACTION COMPANY:					
Collateral Trust Gold Bonds, due 1932.....	5	146,000	M & N-1	24	4
ELMIRA WATER, LIGHT AND RAILROAD COMPANY:					
First Consolidated Mortgage, due 1956.....	5	4,766,000	M & S-1	2	2
EMPIRE GAS AND ELECTRIC COMPANY:					
General and Refunding, Series A, due 1952.....	6	1,816,000	J & D-1	4	4
EMPIRE GAS AND ELECTRIC CO. AND EMPIRE COKE CO.:					
Joint First and Refunding, due 1941.....	5	2,621,000	M & S-1	8	8
ERIE LIGHTING COMPANY:					
First Mortgage, due 1967.....	5	3,278,000	A & O-1	8	8
GENESEE VALLEY POWER COMPANY, INC.:					
First Mortgage, due serially to 1957.....	6	165,000	A & O-1	36	36
GRANVILLE ELECTRIC & GAS COMPANY:					
Consolidated Gold Bonds, due 1933.....	5	31,500	A & O-1	34	34
HORNELL ELECTRIC COMPANY:					
First Refunding, due 1943.....	5	45,100	M & N-1	8	8
INDIANA GAS UTILITIES COMPANY:					
First Mortgage, due 1946.....	5	774,000	J & J-1	16-26-27	3
JEFFERSON ELECTRIC COMPANY:					
First Mortgage, due 1933.....	5	113,000	M & S-1	37	37
LAKE ONTARIO POWER CORPORATION:					
First Mortgage, due 1957.....	5½	449,000	J & J-1	38	38
LAKE SHORE GAS COMPANY:					
First Mortgage, due 1950.....	5½	604,000	M & N-1	26	3
LOCKPORT LIGHT, HEAT AND POWER COMPANY:					
First Mortgage, Series A, due 1954.....	5½	1,235,000	M & N-1	2	2
LONG ISLAND WATER CORPORATION:					
First Mortgage, due 1955.....	5½	2,144,000	M & N-1	24	3
THE MANILA ELECTRIC RAILROAD AND LIGHTING CORP.:					
First and Collateral Trust, due 1953.....	5	831,500	M & S-1	24	1
MANILA ELECTRIC COMPANY:					
First Refunding Mortgage, due 1946.....	5	60,000	M & S-1	1	1
THE MANILA SUBURBAN RAILWAYS COMPANY:					
First Mortgage, due 1946.....	5	53,000	M & S-1	24	2
METROPOLITAN EDISON COMPANY:					
First and Refunding, Series C, due 1953.....	5	7,525,100	J & J-1	3-17	3
First Mortgage, Series D, due 1968.....	4½	21,586,000	M & S-1	3-17	3
MUNICIPAL GAS & ELECTRIC COMPANY OF ROCHESTER:					
First Mortgage, due 1942.....	4½	1,385,000	A & O-1	5	5



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

STATEMENT OF SECURITIES OUTSTANDING

Bonds of Subsidiary Companies	Interest Rate %	Amount Held by Public	Interest Dates	Interest Payable at (see reference page 31)	Trustee
NEW JERSEY POWER & LIGHT COMPANY:					
First Mortgage, due 1956.....	5	5,919,400	F & A-1	3-17	3
First Mortgage, due 1960.....	4½	2,051,500	A & O-1	24	3
NEW YORK CENTRAL ELECTRIC CORPORATION:					
First Mortgage, due 1950.....	5½	3,237,500	M & S-1	24-47	2
NEW YORK STATE ELECTRIC & GAS CORPORATION:					
First Mortgage, due 1962.....	5½	3,726,500	A & O-1	1	1
First Mortgage, due 1952.....	6	390,500	J & J-1	1	1
First Mortgage, due Nov. 1, 1951.....	3¾	6,700,000	M & N-1	24	1
NORTHERN PENNSYLVANIA POWER COMPANY:					
First Mortgage, Series A, due 1956.....	5	1,858,400	J & D-1	3-28	3
PENN PUBLIC SERVICE CORPORATION:					
First and Refunding Mortgage, Series C, due 1947.....	6	4,994,500	M & N-1	29	6
First and Refunding Mortgage, Series D, due 1954.....	5	2,607,500	J & D-1	24-47	6
PLATTSBURGH GAS & ELECTRIC COMPANY:					
First Mortgage, due 1939.....	5	238,000	M & S-1	6	6
THE RIDGEFIELD ELECTRIC COMPANY:					
Gold Bonds, due 1932.....	5	18,000	J & J-1	6	6
RICHMOND LIGHT AND RAILROAD COMPANY:					
First Collateral Trust Gold Bonds, due 1952.....	4	1,028,000	J & J-1	3	3
ROCHESTER CENTRAL POWER CORPORATION:					
Gold Debentures, Series A, due 1953.....	5	22,500,000	M & S-1	7	7
ROCHESTER GAS AND ELECTRIC CORPORATION:					
General Mortgage, Series B, due 1946.....	7	7,000,000	M & S-1	24-47	6
General Mortgage, Series C, due 1948.....	5½	4,000,000	M & S-1	24-47	6
General Mortgage, Series D, due 1977.....	4½	5,991,000	M & S-1	24-47	6
ROCHESTER RAILWAY AND LIGHT COMPANY:					
Consolidated Gold Bonds, due 1954.....	5	10,803,100	J & J-1	11-24-47	11
ROOSEVELT WATER, POWER AND LIGHT COMPANY:					
First Mortgage, due serially from 1929.....	6	16,000	F & A-1	39	39
SAYRE ELECTRIC COMPANY:					
First Mortgage, due 1947.....	5	382,500	A & O-1	41	40
SENECA POWER CORPORATION:					
First Mortgage, due 1946.....	6	392,500	M & S-1	42	42
SOUTHERN ICE AND UTILITIES COMPANY:					
First Mortgage Convertible, due 1946.....	6	1,280,500	F & A-1	1	1
Convertible Gold Notes, due Dec. 1, 1932.....	6½	445,000	J & D-1	1	1
TRACY DEVELOPMENT COMPANY:					
First Mortgage, due 1944.....	6	229,000	A & O-1	42	42
UNION GAS & ELECTRIC COMPANY:					
First Mortgage, due 1955.....	5	478,000	M & S-1	43	43
YORK HAVEN WATER & POWER COMPANY:					
Gold Bonds, due 1951.....	5	1,260,000	J & D-1	9	9
Miscellaneous.....		1,175,425			
Total Funded Debt of Subsidiary Companies.....		\$194,252,025			

Common Stocks of Subsidiary Companies:	Shares (Held by Public)	Transfer Agents (see reference page 31)	Registrars
American Utilities Company.....	543	12	44
The Associated Utilities Investing Corporation.....	2,420	12	44
Brookport Gas Light Company.....	26	48	—
Metropolitan Edison Company.....	17,450	12	44
The Mohawk Valley Company.....	160	12	44
The Patchogue Electric Light Company.....	30.8*	48	—
The Ridgefield Electric Company.....	6	48	—
Rochester Central Power Corporation.....	14,721	12	44
Southern Ice and Utilities Company—Class A.....	1,378	12	44
Southern Ice and Utilities Company—Class B.....	5,417	12	44
Tennessee-Missouri Power Company.....	368	12	44
West Virginia Light, Heat and Power Company.....	346	43	—
Total Common Stocks of Subsidiaries and Surplus Applicable Thereto..	\$2,721,468.21		

*Retired in 1951



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

STATEMENT OF SECURITIES OUTSTANDING

Preferred Stocks of Subsidiary Companies:	Rate	Shares Held by Public	Dividend Dates	Transfer Agents (see reference page 31)	Registrars
American Utilities Company—Cumulative.....	7	1,004	MJSD-1	12	44
Clarion River Power Company—Participating.....		9,377.1	—	12	46
Empire Gas and Electric Company—Series A—Cumulative...	6	1,741	MJSD-1	12	44
Empire Gas and Electric Company—Series D—Cumulative...	6	3,333	MJSD-1	12	44
Empire Gas and Electric Company—Series B—Cumulative...	7½	1,130	MJSD-1	12	44
Empire Gas and Electric Company—Series C—Cumulative...	7	8,237	MJSD-1	12	44
The Litchfield Electric Light and Power Company—Cumulative	6	5	—	12	44
Metropolitan Edison Company—Cumulative.....	5	407	JAJO-1	12	44
Metropolitan Edison Company—Cumulative.....	6	121,404	JAJO-1	12	44
Metropolitan Edison Company—Cumulative.....	7	7,265	JAJO-1	12	44
New Jersey Power & Light Company—Cumulative.....	5	18	JAJO-1	12	44
New Jersey Power & Light Company—Cumulative.....	6	15,828	JAJO-1	12	44
New York Central Electric Corporation—Cumulative.....	7	33,050	JAJO-1	12	2
Northern Pennsylvania Power Company—Cumulative.....	6	17	JAJO-1	12	44
Northern Pennsylvania Power Company—Cumulative.....	6	2,816	JAJO-1	12	44
Northern Pennsylvania Power Company—Cumulative.....	7	1,974	JAJO-1	12	44
The Patchogue Electric Light Company—Cumulative.....	6	277.2*	JAJO-1	48	—
Rochester Central Power Corporation—Cumulative.....	6	83,040	JAJO-1	12	20
Rochester Gas and Electric Corporation—Cumulative Series B.	7	33,772	MJSD-1	12-45	3-11
Rochester Gas and Electric Corporation—Cumulative Series C.	6	19,425	MJSD-1	12-45	3-11
Rochester Gas and Electric Corporation—Cumulative Series D.	6	144,311	MJSD-1	12-45	3-11
Southern Ice and Utilities Company—Cumulative.....	7	465	MJSD-1	12	44
Southern Ice and Utilities Company—Participating.....	7	48	MJSD-1	12	44
Total Preferred Stocks of Subsidiaries.....		\$48,893,130			

Funded Debt of Associated Gas and Electric Company:	Interest Rate	Amount Held by Public	Interest Dates	Interest Payable at (see reference page 31)	Trustee
✓ Convertible Gold Debentures, due 1977.....	5½	\$ 5,993,000.00	F & A-1	24	2
✓ Gold Debenture Bonds, Consolidated Refunding:					
Series, due 1968.....	5	49,413,480.00	A & O-1	24-47	3
Series, due 1958.....	4½	60,600.00	M & N-1	24-47	1
✓ Convertible Gold Debentures, due 1950.....	5	37,139,000.00	F & A-1	24-47	25
Convertible Gold Debentures, due 1949.....	4½	51,740,700.00	J & J-15	24-47	1
Convertible Gold Debentures, due 1948.....	4½	3,872,040.00	M & S-1	24-47	2
Convertible Investment Certificates.....	5½	27,665,325.00	M&N-15†	24-47	4
Convertible Debenture Bonds, due 1965.....	5	23,900.00	M & N-15	24-47	4
Gold Debenture Bonds, due 2875.....	5	37,000.00	J & J-1	24-47	1
Interest Bearing Allotment Certificates (150,223 Ctf.)...	\$1.60	4,506,690.00	J & J-1	47	12
Interest Bearing Allotment Certificates (114,171 Ctf.)...	\$8.00	13,700,520.00	J & J-1	47	12
Serial Notes, due Semi-Annually to May 1, 1932.....	5	4,545,564.00	M&N-1	1	—
Miscellaneous.....	—	4,286,229.39	—	—	—
Total Funded Debt of Associated Gas and Electric Co...		\$202,984,048.39			

Obligations of Associated Gas and Electric Company Convertible into Stock	Interest Rate	Amount Held by Public	Interest Dates	Interest Payable at (see reference page 31)	Trustee
Convertible Debenture Certificates, Series B and C.....	6½	\$ 1,567,100.00	J & J-1†	24-47	3
Convertible Debenture Certificates, Series A and B (1929)	6	65,635,183.36	J & D-1#	24-47	3
Convertible Debenture Certificates, Series C,D,E and F...	6	5,179,400.00	M & S-1#	24-47	3
Miscellaneous.....	5 & 6	3,821,540.64			
Total Obligations of Associated Gas and Electric Company Convertible into Stock.....		\$76,003,224.00			

* Retired in 1931

† Registered F-M-A-N-15

‡ Registered J-A-J-O-1

Registered M-J-S-D-1



Associated Gas and Electric Company and Subsidiary and Affiliated Companies

STATEMENT OF SECURITIES OUTSTANDING

Capital Stock of Associated Gas and Electric Company:	Rate	Shares Held by Public	Dividend Dates	Transfer Agents	Registrars
				(see reference below)	
Preferred:					
Original Series—Cumulative.....	\$3.50	42,286	JAJO-1	12	4
\$7.00 Series—Cumulative.....	\$7.00	97,082	JAJO-1	12	21
6.50 Series—Cumulative.....	\$6.50	79,655	MJSD-1	12	44
6.00 Series—Cumulative.....	\$6.00	44,731	MJSD-1	12	1
5.00 Series—Cumulative.....	\$5.00	102,376	MJSD-15	12	3
Preference:					
\$4.00 Series—Cumulative.....	\$4.00	934,539	FMAN-1	12	21
\$6.50 Series—Cumulative.....	\$6.50	108,775	JAJO-1	12	22
Class A.....		4,176,392	FMAN-1	12-13-16-19-23	3-15-17-18-22
Class B.....		614,366	FMAN-1	48	48
Common.....		1,494,777		12-13	14-15

REFERENCE

Index—Trustees of Mortgages, Paying Agents and Registrars and Transfer Agents for Stock

- 1 The Chase National Bank of the City of New York
- 2 The New York Trust Company, New York City
- 3 Guaranty Trust Company of New York
- 4 Irving Trust Company, New York
- 5 Central Hanover Bank & Trust Company, New York
- 6 Bankers Trust Company, New York
- 7 Manufacturers Trust Company, New York
- 8 Pennsylvania Company for Insurances on Lives & Granting Annuities, Philadelphia, Penna.
- 9 Real Estate Land Title & Trust Company, Philadelphia, Penna.
- 10 J. P. Morgan & Company, New York
- 11 Security Trust Company of Rochester, Rochester, N. Y.
- †12 Agency of the Company, 61 Broadway, New York
- 13 State Street Trust Company, Boston, Mass.
- 14 Hibernia Trust Company, New York
- 15 The First National Bank of Boston, Boston, Mass.
- 16 Harris Trust & Savings Bank, Chicago, Ill.
- 17 Continental Illinois Bank & Trust Co., Chicago, Ill.
- 18 Security First National Bank of Los Angeles, Los Angeles, Cal.
- 19 Bank of America of California, Los Angeles, Cal.
- 20 Chemical Bank & Trust Company, New York
- 21 The Bank of America, New York
- 22 First National Bank of Ithaca, Ithaca, N. Y.
- 23 R. E. Failing, Ithaca, N. Y.
- *24 Agency of the Company, 61 Broadway, New York
- 25 Public National Bank & Trust Co., New York
- 26 Hartis, Forbes & Company, New York
- 27 Harris, Forbes & Company, Boston
- 28 Bank of North America & Trust Co., Phila, Penna.
- 29 First National Bank, New York
- 30 Olean Trust Company, Olean, N. Y.
- 31 E. B. Kennedy, Jr., First National Bank of Chateaugay, Chateaugay, N. Y.
- 32 First National Bank, Chateaugay, N. Y.
- 33 Easton Trust Co., Easton, Penna.
- 34 Troy Trust Company, Troy, N. Y.
- 35 M. & T. Trust Co., Buffalo, N. Y.
- 36 Exchange National Bank of Olean, Olean, N. Y.
- 37 Lackawanna Trust & Safe Deposit Co., Scranton, Penna.
- 38 Baltimore Trust Co., Baltimore, Md.
- 39 Nassau County Trust Co., Mineola, N. Y.
- 40 Miners Bank of Wilkesbarre, Wilkesbarre, Penna.
- 41 Girard Trust Company, Philadelphia, Penna.
- 42 Chatham Phenix Nat'l Bank & Trust Co., New York
- 43 First Union Trust & Savings Bank, Chicago, Ill.
- 44 T. W. Moffat, H. B. Brown & J. J. McCarthy, 120 Wall St., New York
- 45 Katherine Price, Office of the Company, Rochester, N. Y.
- 46 J. F. McKenna & E. B. Naylon, 61 Broadway, New York
- *47 The Company, Ithaca, N. Y.
- 48 The Company, 61 Broadway, New York

* Coupons at 24 and registered at 47

† Transfer Agent



Operating Subsidiaries of Associated Gas and Electric Company

HAVING NO SECURITIES OUTSTANDING WITH THE PUBLIC

ARIZONA

Arizona General Utilities Company

ARKANSAS

Arkansas General Utilities Company

DELAWARE

Dover Gas Light Company

INDIANA

Loogootee Water Company

Ohio River Power Company

Rising Sun Water and Light Company

KENTUCKY

Hopkinsville Water Company

Kentucky-Tennessee Light and Power Company

Kentucky Service Company

The Owensboro Gas Company

LOUISIANA

Louisiana Public Utilities Co., Inc.

MARYLAND

Associated Maryland Electric Power Corporation

The Maryland Public Service Company

Youghiogheny Hydro-Electric Corporation

MISSOURI

Missouri General Utilities Company

Missouri Southern Public Service Company

Twin City Light and Power Company

NEW JERSEY

Associated Public Utilities Corporation

NEW MEXICO

The Tucumcari Light and Power Company

NEW YORK

Federal-New York Company, Inc.

Owego Gas Corporation

Smyrna Telephone Company, Inc.

Spring Brook Water Company

OHIO

The Hilliard Light and Power Company

The Jefferson Gas Company

The New Matamoras Electric Company

The New Washington Electric Company

The North Baltimore Water and Electric Company

The Paint Township Light & Power Company

The Portsmouth Gas Company

The Van Wert Gas Light Company

The Wyandot Light & Power Company

OKLAHOMA

Panhandle Public Service Company

PENNSYLVANIA

Bangor Electric Company

Clarion Water Company

Johnstown Fuel Supply Company

Penelec Water Company

SOUTH DAKOTA

Sioux Falls Gas Company

TENNESSEE

Dover Power Company

Kentucky-Tennessee Light and Power Company

Southern Utilities Company

Tennessee General Utilities Company

TEXAS

Texas General Utilities Company

VERMONT

Granville Electric Company

PHILIPPINE ISLANDS

Argosino Electric Plant, Inc.

Atimonan Electric Company, Inc.

Baliuag Electric Company, Inc.

Bicol Electric Company

Calumpit Electric Company

Cavite Electric Company

Dagupan Light and Power Company

Electra Lipena, Inc.

Gapan Electric Company

Insular Light and Power Corporation

La Union Electric Company, Inc.

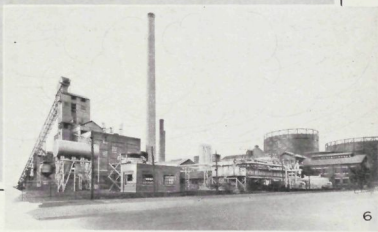
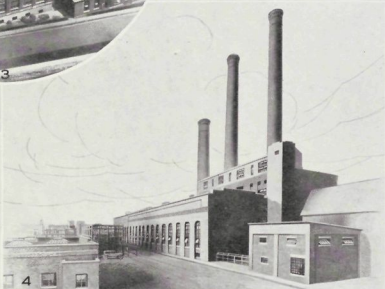
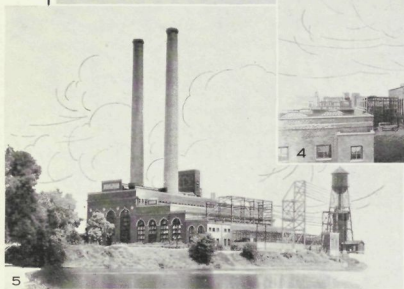
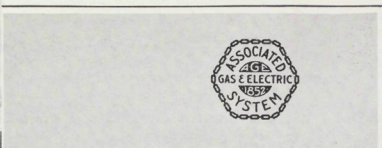
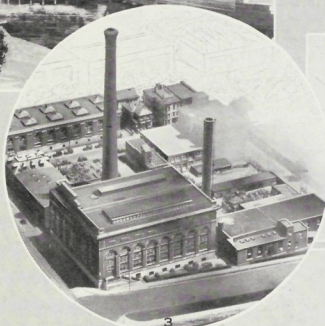
Lucena Electric Company, Inc.

Meycauayan Electric Company

San Jose Light and Power Company

Santa Rosa Electric Co., Inc.

Tarlac Electric Service Company, Inc.



1—PINEY DAM AND POWER HOUSE, CLARION RIVER, PINEY, PA.

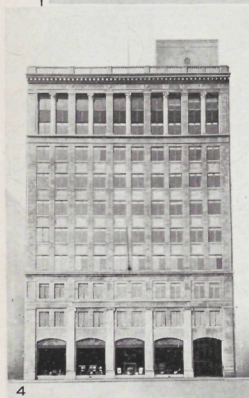
2—STEAM POWER PLANT, NEW BEDFORD, MASS.
(With Gas Plant at Extreme Right)

3—STEAM POWER PLANT, CAMBRIDGE, MASS.

4—STEAM POWER PLANT, STATEN ISLAND, N. Y.

5—STEAM POWER PLANT, ELMIRA, N. Y.

6—GAS PLANT, WORCESTER, MASS.



OFFICE BUILDINGS AND SHOWROOMS

1—CAMBRIDGE, MASS.

3—ITHACA, N. Y.

5—ERIE, PA.

2—STATEN ISLAND, N. Y.

4—ROCHESTER, N. Y.

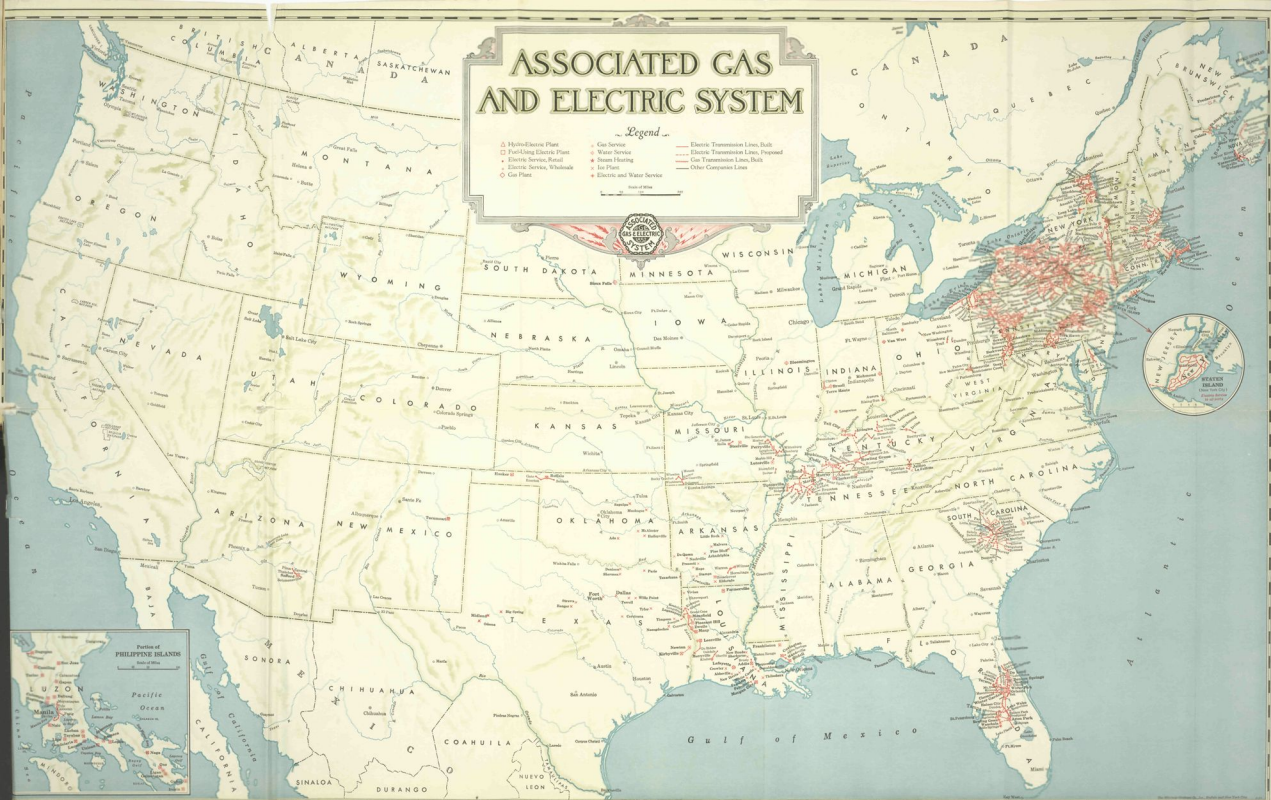
6—READING, PA.

ASSOCIATED GAS AND ELECTRIC SYSTEM

Legend

- △ Hydro-Electric Plant
- Fuel-Burning Electric Plant
- Electric Service, Retail
- Electric Service, Wholesale
- Gas Plant
- Gas Service
- Water Service
- Steam Heating
- Ice Plant
- Electric and Water Service
- Electric Transmission Lines, Built
- Electric Transmission Lines, Proposed
- Gas Transmission Lines, Built
- Gas Transmission Lines, Proposed
- Other Corporation Lines

Scale of Miles



ASSOCIATED GAS
AND ELECTRIC SYSTEM

Map of the
ASSOCIATED GAS
AND ELECTRIC
SYSTEM

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT
1931

ASSOCIATED GAS AND ELECTRIC COMPANY



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ANNUAL REPORT

INCLUDING DATA REGARDING ASSOCIATED GAS AND ELECTRIC SYSTEM

[PAGES 3 TO 13]

FOR THE YEAR ENDED DECEMBER 31, 1931



Organization of the ASSOCIATED GAS AND ELECTRIC COMPANY

(Incorporated under the laws of the State of New York in 1906)

Officers

J. I. MANGE, *Chairman and President* New York
H. C. HOPSON, *Vice-President and Treasurer* New York
S. J. MAGEE, *Vice-President and General Manager* New York
J. M. DALY, *Vice-President* New York
H. D. FITCH, *Vice-President* Bowling Green, Ky.
WILLIAM BUCHSBAUM, *Vice-President* New York
F. S. BURROUGHS, *Vice-President* New York
O. E. WASSER, *Comptroller and Assistant Secretary-Treasurer* . . Ithaca, N. Y.
M. C. O'KEEFFE, *Secretary and Assistant Treasurer* New York

Directors

WILLIAM BUCHSBAUM New York Vice-President	HOWARD C. HOPSON New York Vice-President and Treasurer
FREDERICK S. BURROUGHS New York Vice-President	SANFORD J. MAGEE New York Vice-President and General Manager
JOHN M. DALY New York Vice-President	JOHN I. MANGE New York Chairman and President
HENRY D. FITCH Bowling Green, Ky. Vice-President	DANIEL STARCH New York Daniel Starch and Staff

FINANCIAL OFFICE . . . 61 Broadway, New York

PRINCIPAL OFFICE Ithaca, New York

MANAGERS—OPERATING PROPERTIES
THE UTILITY MANAGEMENT CORPORATION
120 WALL STREET, NEW YORK



ASSOCIATED GAS AND ELECTRIC SYSTEM

OPERATIONS AND PROGRESS

For the Year Ended December 31, 1931

IN A YEAR when most industries were concerned with holding their own against business recession, the Associated Gas and Electric System was able to do so in most phases of its operations, and make gains in some others. The Associated System, linked closely with the nation's industrial life, cannot help but reflect current conditions. However, the nature of its services and the soundness of its policies reflected themselves in results distinctly satisfactory in relation to the industry as a whole. The more important accomplishments of the year may be summarized as follows:

1. Gross operating revenues exclusive of other income increased 1%. Operating expenses declined 2%, but higher tax levies required an increase of \$1,157,327 in the provision for taxes, which offset the savings in expenses. Net operating revenues were 2% higher than in 1930. It was considered desirable to make greater provision for retirements, which brought the net operating income 5% below 1930. Net non-operating revenues declined from \$6,066,218 in 1930 to \$2,907,022, a reduction of 52%.

2. Revenues from electric service increased 2%. Domestic customers, who account for 34% of electric revenues, increased their average annual use 6.8%.

3. Sales of household appliances such as refrigerators, water-heaters and ranges amounted to \$6,169,515 during the year. 179 new industries

located in Associated areas, and 205 already there expanded their operations and facilities, largely through the assistance of the industrial development activities of the System.

4. Customers served increased 6,972 to a total of 1,437,653.

5. The Associated System continued to gain in the confidence of investors. At the end of the year the number of holders of registered securities was 237,115, a gain of 23,837. Of this increase, 13,856, or more than half, were new customer-investors. Customer-investors totalled 105,035 at the end of the year.

6. More than \$13,000,000 was spent for new construction and improvement of facilities throughout the System. The largest single project was a steam-generating power plant at Bowling Green, Kentucky.

Note—Pages 3 to 13 of this report deal with the Associated Gas and Electric System, which includes the Associated Gas and Electric Company and the New England Gas and Electric Association. Pages 14 to 39 deal with Associated Gas and Electric Company, which has operating revenues equal to 86% of those of the System.



SUMMARY OF OPERATIONS

Operating activities of the companies comprising the Associated Gas and Electric System during the year 1931 are recorded in the following tabulation:

Total customers.....	1,437,653	
Increase in customers.....	6,972	
Per cent increase.....		.5%
Gross operating revenues.....	\$105,286,247	
Per cent increase.....		1.1%
Operating income.....	\$39,109,184	
Per cent decrease.....		5.1%
Total electric output—units (kwh.) net.....	3,225,312,759	
Per cent increase.....		5.4%
Total gas sendout (m.c.f.).....	17,772,812	
Per cent decrease.....		2.9%
Units (kwh.) sold per residential customer.....	469	
Per cent increase.....		6.8%
Gas sales (cu. ft.) per residential customer.....	30,300	
Per cent decrease.....		1.3%
Appliance sales by New Business Department....	\$6,169,515	
Per cent decrease.....		34.8%

EARNINGS

The comparative earnings statement of the entire System for the latest period available, the twelve months ended April 30, 1932 and 1931 (in the condensed form in which it is published each month) is given below:

SINCE DATES OF ACQUISITION (ACTUAL)†				
	1932	1931	Increase	
			Amount	%
Electric.....	\$ 77,518,652	\$ 77,237,731	\$ 280,921	—
Gas.....	17,498,715	18,770,272	1,271,557*	7*
Ice.....	3,967,021	4,134,611	167,590*	4*
Transportation.....	1,948,184	2,014,630	66,446*	3*
Heating.....	1,525,916	1,746,863	220,947*	13*
Water.....	1,288,602	1,562,665	274,063*	18*
Total Gross Operating Revenues.....	\$103,747,090	\$105,466,772	\$1,719,682*	2*
Operating Expenses, Maintenance, all Taxes, etc.....	56,776,859	56,481,615	295,244	1
Net Operating Revenue.....	\$ 46,970,231	\$ 48,985,157	\$2,014,926*	4*
Provision for Retirements (Depreciation).....	9,986,993	7,048,708	2,938,285	42
Operating Income.....	\$ 36,983,238	\$ 41,936,449	\$4,953,211*	12*

†These figures include the results of operations of substantially the same properties in both periods.

*Decrease.



PROGRESS SINCE 1921

Gross operating revenues for 1931 were 1% above 1930. As a result of operating economies effected by the System's management net operating revenues (before provision for retirement) increased 2%. Income from non-operating sources, such as investments, declined 52%, resulting in gross income from all sources of 11% less than in 1930. The sound position of the System was also seen in the gain in electric sales and the increase in electric customers, although the latter gain was offset to some extent by losses in the number of gas and heating customers. The net result, however, was a gain of 6,972 in the total number of customers.

The period of 1921-1931 is significant because it represents the period of largest growth in the Associated System, and because it is bounded by two major business depressions. Since the depression of 1921, the System has built a strong organization which is successfully resisting the severe conditions that characterize the present readjustment.

Progress since 1921 may be seen in the following table, which includes all properties irrespective of the dates when they were first included in the Associated System:

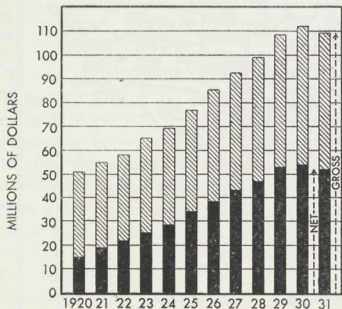
For Years Ended December 31st	Annual Earnings		Sales Units (kwh.)	Number of Customers	
	Gross*	Net†		Electric	Gas, Water, Steam
1921	\$54,907,073	\$18,310,349	954,009,256	388,687	354,621
1922	58,339,202	22,049,555	1,146,905,484	447,497	371,449
1923	65,664,884	25,853,705	1,352,654,306	515,869	382,262
1924	69,794,738	28,448,349	1,405,677,796	595,745	400,187
1925	77,175,669	33,983,624	1,583,191,145	668,809	416,735
1926	85,798,189	38,516,087	1,858,826,215	740,879	435,998
1927	92,550,778	43,028,164	1,925,507,892	795,762	451,873
1928	99,072,146	47,275,200	2,092,135,929	846,461	464,035
1929	108,496,804	53,037,214	2,466,441,783	907,376	480,047
1930	112,147,615	54,665,372	2,520,768,793	950,032	480,649
1931	109,503,185	52,966,079	2,720,842,436	971,375	466,278

*Including Non-Operating Revenues.

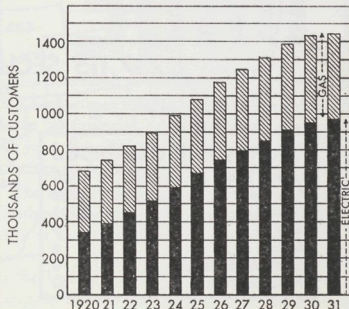
†Before Depreciation and Federal Income Taxes.

Total Associated electric customers at the end of 1931 were 971,375, an increase of 2.2%. While the present Associated properties served only 3.8% of the total electric customers in the United States and Philippine Islands at the end of 1930, their gain was 7.8% of the total gain by the industry during the year 1931.

ANNUAL GROSS AND NET INCOME



NUMBER OF CUSTOMERS



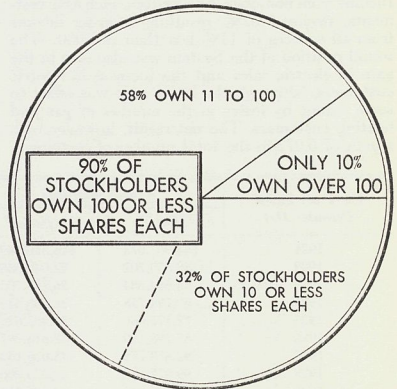


237,115 REGISTERED SECURITY HOLDERS

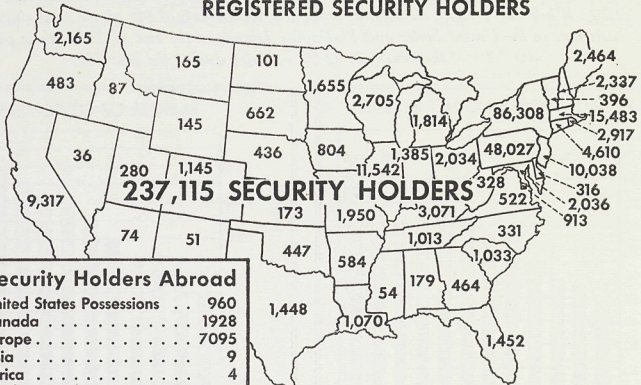
Holders of registered securities of the Associated Gas and Electric System totalled 237,115 at the end of 1931. This figure eliminates duplication of holdings. A comparison of this number with the total at the end of 1930, all duplications eliminated, shows a gain of 23,837 registered security holders during the year. A comparison with the figure of 220,484 used in the 1930 annual report, which contained duplications, shows a gain of 16,631.

Associated security holders represent a world-wide distribution. They are found in every state of the United States, and in 30 other countries and their dependencies. More than 90% of the holders of Class A Stock own 100 shares or less, reflecting the widespread interest of small investors. Only 149,833 shares are held by brokers. This is 3.2% of the total as compared with 4.6% in brokers' accounts as of December 31, 1930, and 9.2% at the end of 1929. The largest investor holds

slightly less than 2% of the number of shares outstanding. The second largest holder owns approximately two-tenths of 1% of the total.



ASSOCIATED GAS AND ELECTRIC SYSTEM REGISTERED SECURITY HOLDERS



Security Holders Abroad

United States Possessions	960
Canada	1928
Europe	7095
Asia	9
Africa	4
South America	8
Miscellaneous	61

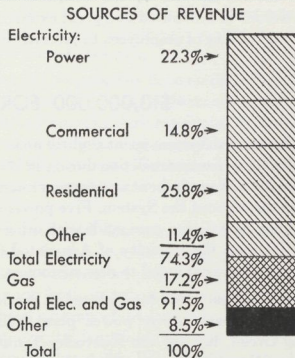


SOURCES OF REVENUE

Earnings of the Associated Gas and Electric System are not dependent on any one territory or group of industries. The System serves more than 3,000 communities, a majority of which are of medium size. This means that a proportionately large part of the revenue is from residential service, a distinct advantage in a year such as 1931.

With 74.3% of its revenue from electricity and 17.2% from gas, the Associated System derives 91.5% of its total revenue from these two desirable types of service.

Based on figures as of the close of 1931, the Associated System served 1 in 26 residential electric customers in the United States and its Possessions, and 1 in 39 residential gas customers in the United States.



27,000 CUSTOMERS INVEST \$16,795,626

Approximately 27,000 customers invested \$16,795,626 in Associated securities during 1931, reflecting the important part customer-ownership activities play in the System's progress. Of these, 13,856 were new customer-investors; they accounted for the greater part of the increase of approximately 24,000 recorded in the total number of Associated investors during the year.

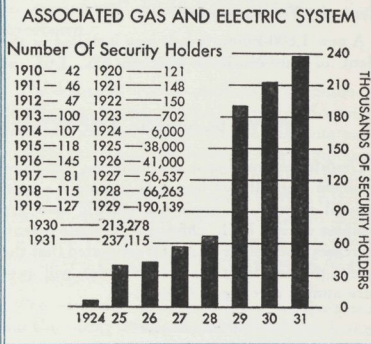
The number of customers holding Associated securities was 105,035 at the end of 1931. Since the Customer Ownership Department was established, this number has increased as follows:

1922.....	2	1927.....	36,000
1923.....	554	1928.....	38,694
1924.....	5,852	1929.....	73,000
1925.....	21,000	1930.....	91,179
1926.....	24,000	1931.....	105,035

These 105,035 customer-owners have invested a total of \$110,955,357. The proportion of customers becoming investors in the System is steadily increasing, the ratio of customer-investors to customers being 1 to 13, compared to 1 to 15 in 1930.

During 1931 practically 95% (\$15,780,626) of security sales represented new money, comparatively little resulting from the exchange of underlying company securities.

It is gratifying to note that the amount of subscriptions received through the Customer Owner-



ship Department did not reflect the retarded activity in financial markets that characterized the year. Results in many of the localized security offerings were considerably beyond expectations.

The sales of Associated securities through the Customer Ownership Department in 1931 were 11% of the total amount of securities sold to customers by all electric light and power companies in the United States. This achievement not only suggests the confidence placed in the Associated System by its customers, but also points to the



loyalty of its employees, through whose hearty cooperation the success of the customer-owner-ship activities is attributed to a great extent. This loyalty and ability of employees to present Associ-

ated investment offerings to customers is a factor which plays an important part in stabilizing public relations, and in strengthening the System from an operating as well as from a financial standpoint.

\$13,000,000 FOR CONSTRUCTION IN 1931

The Associated System spent slightly more than \$13,000,000 for new construction during 1931. This provided for new equipment and improvements to facilities throughout the System. Five power units were added, new tie-ins were made with other utilities to increase the capacity of Associated lines, and services were extended to new customers.

The two largest units were placed in service in the new steam-generating power plant built at Bowling Green, Ky. for the Kentucky-Tennessee Light and Power Company. These units are two turbo-generators of 3,500-kilowatt capacity each. Construction of this new plant, which increases the company's capacity 50%, was made necessary by the increasing demands for power from the Kentucky-Tennessee area.

A new 1,500-kilowatt unit was installed in the plant of the Maritime Electric Co., Ltd., at

Charlottetown, P.E.I., Canada. It will provide for increasing loads, and add to the flexibility of the station.

Additional electric generators were installed in several isolated plants to enable them to satisfactorily meet increasing demands for power in their districts. These new plant additions included 428-kw. unit added to the capacity of the Safford Plant of the Arizona General Utilities Company; 300 kw. added to The Tucumcari Light and Power Company's plant at Tucumcari, New Mexico; and 460 kw. added to the plant of the Cape and Vineyard Electric Company at Vineyard Haven, Martha's Vineyard, Massachusetts.

Other construction projects consisted mainly in the development of the program to bring to the properties greater facilities for distributing services to customers.

NEW BUSINESS DEPARTMENT ADDS \$5,839,326 REVENUE

Despite general business conditions, the New Business Department was able to secure a substantial amount of increased electric and gas business during 1931. Offsetting, to some extent, decreases along other lines, it is estimated that the results of the Department's activities will produce annual revenue as follows:

Electric Revenue

Domestic Appliance Sales, Residential Lighting, and New Customers.....	\$1,625,659
Power Sales and Industrial Lighting.....	1,672,545
Commercial and Street Lighting.....	1,612,501
Total Electric Revenue added.....	<u>\$4,910,705</u>

Gas Revenue

Domestic Appliance Sales and New Customers. \$	446,936
Industrial.....	86,462
House Heating.....	190,691
Commercial.....	204,532
Total Gas Revenue added.....	<u>\$ 928,621</u>
Total Electric and Gas Revenue added.....	<u>\$5,839,326</u>

During the year 179 new industrial enterprises selected plant locations in communities served by the Associated System. The Industrial Development Division was active in the consummation of negotiations in at least 30 of these instances. In addition 205 plants already located in Associated areas expanded their operations by contracting for increased power and gas service. This new business will result in adding approximately \$650,232 annual revenue to the System. Sales of electric and gas appliances during the year totalled \$6,169,515.

ELECTRIC POWER AND HEATING

The Industrial Electric Power and Heating Divisions have been active in extending outlets for electric energy in the large-consumers' group. This has resulted in a number of noteworthy applications and conversions.

Some important additions in large electric furnaces have been made in several industrial plants.



Gratifying progress has been made in the extension of electric cooking and baking to restaurants and hospitals.

Considerable new business has been secured in the textile and refrigeration industries where customers' steam plants have been shut down. In the citrus fruit area in Florida electric power extended its use in pre-cooling and processing, and reached out into new fields of irrigation and frost prevention.

Several State and Federal institutions have contracted for Associated power, in some cases replacing steam plants, in others supplying the entire requirements of new institutions. Among these are the Soldiers' Home at Bath, N. Y., the Cavite Navy Yard, Philippine Islands, and the Veterans Hospital, Columbia, S. C. The annual revenues from these and other State institutions connected during the year will exceed \$100,000.

AIR CONDITIONING AND LIGHTING

Increased attention is being given to the possibilities of air conditioning through mechanical refrigeration and manufactured ice. Among new uses for electricity, air conditioning is looked to as a large outlet for additional electric power usage during the coming year.

An unusual growth has been experienced in the sale of additional electrical energy to stores and commercial establishments during 1931. Sales have increased more than four times over 1929. Four major lighting campaigns resulted in additional annual revenue estimated at \$295,893. Similar extensive activities in 1932 will also include the partly developed home-lighting field.

The necessity for better street lighting to provide safety and protection for the public, as well as increased use of fire and traffic signals, is being recognized more each year. The demand for improved lighting of State highways is constantly increasing, and possible business from this large undeveloped field is promising.

PROMOTION OF USE OF GAS

In the promotion of the use of gas for domestic purposes two campaigns for the sale of ranges and water heaters were conducted during 1931, in which the various properties participating sold more units than in the 1930 activities.

A campaign was conducted throughout the year for the promotion of the use of gas for house heating. Approximately 1,100 installations were made, representing an additional gas load of about 280,000 m.c.f. per year.

Notable progress has been made in the increased use of gas in hotels, restaurants and bakeries. Thorough surveys were conducted to uncover the full potential load and organizations set up to solicit this business. The actual amount of this type of business secured exceeded the forecast by 80%.

The increased domestic use of electricity and gas, due to the ever-increasing popularity, convenience, and comfort offered by modern appliances in homes, both in urban and rural communities, has been an important factor in maintaining the revenue of the Associated System. Encouraged by the results obtained in 1931, the Associated System has entered the year 1932 with an enlarged program of campaign activities and dealer cooperative selling, which should materially increase the revenue from present customers with practically no expenditure required for additional plant investment.

29,150 NEW CUSTOMERS

The domestic division continually concentrates its efforts on the sale of load-building devices such as electric and gas refrigeration, ranges, automatic water-heaters, and gas househeating equipment. Home-lighting programs also play an important part in increasing the domestic load. As a result of these efforts, together with cooperative dealer activities, it is estimated that the appliance sales of operating groups and dealers surpassed all previous records.

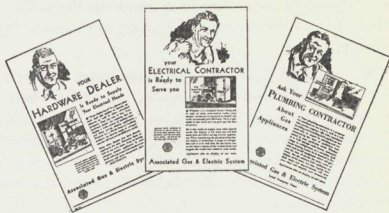
The extension of electric lines and gas mains and the wiring and piping of old and new houses on existing lines added 23,711 electric and 5,439 gas customers in 1931. Losses elsewhere brought the net gain down to 6,972 customers.

DEALER COOPERATION

The degree to which the Associated System is developing its relations with appliance dealers is indicated by results of comparable six-weeks campaigns for the sale of refrigerators, held in 1930 and 1931. System representatives sold 13,791 units in 1930 and 9,866 in 1931, whereas dealers sold 5,515 and 9,592 in these respective years.



The Associated System is working closely with dealers in all its properties, endeavoring to help them sell load-building appliances which will increase the business of the dealer and expand the use of electricity and gas by Associated customers. Dealers have the privilege of sending their salesmen to appliance sales schools conducted by local Associated offices. Facilities of the home service departments and the assistance of trained salesmen for closing sales were also made available to dealers. The fact that Associated System revenues from electric sales were 2% greater in 1931 than the year before should be credited in some degree to this new activity.



This type of Advertising has helped increase appliance sales by dealers in Associated areas

INDUCEMENT RATES SUCCESSFUL

During the year more customers took advantage of the inducement rates,—which consist of low energy charges plus moderate service charges. These rates are now available in most of the electric and gas areas throughout the System.

Their beneficial effect may be seen in the case of residential electric customers. (1) During the year the average residential electric rates declined 5.2%; (2) the average annual use increased from

439 to 469 units (kwh.); (3) the average annual revenue increased from \$33.53 to \$34.31.

This policy of allowing customers to earn lower rates by increased use encourages them to buy more load-building appliances such as refrigerators, water heaters and ranges. Customers gain greater convenience and greater appreciation of gas and electric services, while they are receiving these services at a lower unit cost.

WHAT GROUP OPERATION MEANS TO ASSOCIATED PROPERTIES

At the beginning of 1931 the National Economic League ranked the public utilities only fortieth in importance among national problems. During the year, however, political discussion magnified the issue to a greater prominence.

This discussion included the familiar demand for Federal regulation of utility holding companies. The legal ground for such regulation is the fact that 11.8% of power generated crosses State boundaries, and hence may be classified as interstate commerce.

HOLDING COMPANY MEETS NEED FOR LARGE CAPITAL

The utility business is unusual in that it requires large capital investment in power plants and distribution facilities in comparison to earnings. A food or clothing business may turn over its capital five times in a year, but an electric light and power company only *once in six years*. Because of this and the rapid growth of the industry, it has been

impossible to finance expansion out of earnings. The holding company was created, therefore, to combine under one management the resources of individual operating companies. It was expected that the more widely recognized utility system thus formed would be able to attract adequate capital on more advantageous terms than the individual operating companies which were known only locally.

This holding company form of management is not new; neither is it peculiar to the public utilities. Utility holding companies originated about the turn of the century. The Associated Gas and Electric Company was formed in 1906. Development of the holding companies paralleled the greatest growth of the utility industry. It is hardly an exaggeration to say that without the use of the holding company the progress of the electric light and power industry, outside of the great centers of population, would have been delayed for a generation.



The holding company in other industries is common enough. General Motors Corporation is an example of a group of operations controlled and coordinated by central management. American Telephone and Telegraph Company is the largest holding company in the United States. Other examples are Standard Oil Company of New Jersey, United States Steel Corporation, and National Dairy Products, Inc.

Holding company management has been beneficial to the operation of public utility companies, because—

1. It has made capital for expansion available to operating companies at reasonable rates;
2. It has made expert engineering, sales, financial advice available to companies at a lower cost than they would have had to pay otherwise;
3. It has made available to companies physical resources of a large system, including interconnection of power lines, help in case of emergencies; and has made available the economies of group purchase of materials, equipment and insurance.

The utilities have had their fastest growth during the past ten years, a growth that required large financing. It is significant that the swiftest development of the holding companies was during this period too. Capital invested in the electric light and power industry in 1931 was \$12,900,000, or three times that of 1920; the number of customers supplied was 24,603,000 or 2½ times those served in 1920. It is impossible to conceive that this immense amount of capital—exceeded only by the amounts invested in railroads—could have been accumulated had electric companies remained small and independent.

The impetus given electrical expansion by the holding company is also seen in the extension of rural electrification. When companies remained small, and without capital necessary to extend service to sparsely settled areas, little progress was made. It took 43 years (1882-1925) to get electric service to 250,000 farms; during the next five years nearly 400,000 were electrified, nearly twice as many as during the entire previous history of the industry.

Financing new construction and expansion of service has been an important part of the Associated Gas and Electric System's work during the past several years; \$79,000,000 has been spent for these purposes since 1928.

Particular applications of this new capital for the benefit of Associated operating properties may be seen in companies now in the New England Gas and Electric Association, which is part of the Associated System.

HOLDING COMPANY MANAGEMENT BENEFITS NEW ENGLAND PROPERTIES

When the Cape and Vineyard Electric Company was acquired, service was poor, facilities inadequate, areas served slight. Under holding company management \$2,000,000 was spent in rebuilding and extending transmission lines, building new substations and an addition to the Vineyard Haven generating plant, and establishing central operating offices at Hyannis. Excellent service, many testimonials to which have been received by the company, much wider use of service by residents, and extension of service to many communities without it before, are all monuments to holding company management. Three inadequate gas manufacturing plants were replaced by a modern plant costing \$1,500,000 when the Worcester Gas Light Company was acquired by the Association, and high-pressure service was extended to communities previously without it. When Cambridge Electric Light Company was acquired, facilities for service were increased, and \$1,500,000 was spent for new power station equipment. Likewise, in New Hampshire modern substations were built, distribution systems rebuilt and service extended to new areas.

These situations have been paralleled in other System properties. Gilbert Station in New Jersey and Saluda River development in South Carolina are outstanding examples. In 1931, a year when it was extraordinarily difficult to raise new funds, the Associated System spent \$13,000,000 on new generating units, notably the power plant at Bowling Green, Kentucky, and on new lines for extending service. The fact that Associated customers of the same properties have doubled in number during the past decade indicates success in providing adequate facilities and extending service.



EXPERT MANAGEMENT AND ADVICE MADE AVAILABLE TO OPERATING COMPANIES

The value of expert management and experienced executives was demonstrated when the Maritime Electric Company was acquired. Quality of service was improved, area served widened, and use of service in homes and factories increased by intelligent new business methods and inducement rates. Not only financial limitations, but also lack of knowledge of modern utility business practice had prevented these improvements by the former management. As a result of the help of a staff of heating experts made available by the holding company management, the Cambridge Electric Light Company was able to acquire a long term contract to supply steam heat to Harvard University. Assistance of expert industrial engineers greatly increased the industrial use of gas in Worcester after the company in that city was acquired by the Association.

Even more indicative of the value of holding company operation was the effect on all properties of management policies in 1931. A strong program was formulated to meet generally adverse business conditions. The formulation of this program and its application throughout the System was an example of coordinated effort strikingly illustrative of the advantages of group management. If left to themselves, many of the companies might not have been able to carry out effective programs.

An aggressive new business policy was adopted, designed to induce customers already on lines to increase their use of services, and to acquire new customers. To accomplish this end, all properties offered inducement rates, which make possible additional use of electricity and gas at a low cost per unit. All properties also conducted campaigns for the sale of load-building appliances like refrigerators, ranges, and water-heaters. During the year these efforts resulted in acquisition of 29,150 new customers and sale of \$6,169,515 in appliances. Average annual use of electricity in homes in-

creased 6.8%. These and new business efforts detailed elsewhere in this report resulted in estimated revenue of \$5,839,326. This activity was accompanied by a decrease of 2% in operating expenses. The ability of the 120 operating companies in the Associated System to show a gain in new business during this difficult year and to reduce expenses at the same time is a tribute to the operating efficiencies of management by holding companies.

ECONOMIES IN GROUP PURCHASING

Final advantages that accrue to the operating company in holding company management are economies of group purchases of materials, equipment, and insurance, and ability of the company to call upon facilities of the group in case of emergencies, or in cases where it has a temporary need for costly equipment owned by the group. The advantage of interconnections between its own lines and lines of other companies in the system gives it a more elastic, reliable service; these interconnections are especially valuable in times of temporary interruptions of service on one company's lines. The major properties of the Associated System are tied in with the power pool of the Atlantic Seaboard, and further important interconnections are being made every year.

LOWER ELECTRIC RATES

Holding company management has benefited public utility operating companies; it has also benefited the public. Service has improved and continues to show improvement. In the Associated System residential rates have declined 12% in the last four years.

The holding company is the agency that has made possible the marvelous progress of electric and gas utilities during recent years. Further Federal regulation might correct isolated abuses which cannot be considered characteristic of the industry, but it would most certainly impair the holding companies' resourcefulness, mobility, and efficiency.

TAXATION

The Associated System in 1931 paid or accrued \$7,366,531 for taxes, a sum 18% greater than the \$6,209,204 in 1930. The increase in gross operating revenues during this year was only 1%.

This tendency for taxes to increase faster than revenues is true throughout the utility industry

and in fact throughout business. In 1931, taxes on the electric light and power companies alone were \$210,000,000, or 10.5% of gross operating revenues. This is equivalent to taxes of \$575,000 a day. Since pre-war years, taxes on electricity have increased twice as fast as have revenues from



customers, while rates for residential electricity have declined, as may be seen in the accompanying table.

Much of this taxation goes to maintain government pay rolls, which now list about one in ten of all persons gainfully employed. These officeholders are especially protected in times of general business readjustment because their jobs are comparatively safe, their salaries increase in value through enhanced purchasing power and in many instances are favored by certain tax exemptions. They are therefore the last group to abandon the old inflationary point of view. The reform of government finance is one of the inescapable tasks in the program of general business recovery. It is also an essential to moderate taxation of utilities.

The aim and achievement of utility managements during the past quarter century has been to make electric and gas services available at constantly lower costs. However, the mounting

taxes that utility companies are forced to pay absorb savings and economies that would have been passed on to the customers in lower rates.

Thus far the utilities have been able to pay the taxes and still reduce rates. It is conceivable that the time will approach when economies cannot be effected sufficient both to lower rates and pay taxes. The lack of further rate reductions will be a deterrent to greater use by customers at a time when this increased use is the principal avenue of expansion.

Such a situation will also cause the payment of increased taxes directly out of earnings, with no hope of the customers sharing the additional burden, unless State public service commissions will allow higher rates. At the best, this is an uncertain process, leaving the eventuality of the companies having to bear the expense themselves. This would cause a serious drain on earnings, cutting into the dividends of stockholders and impairing the margin of security for bondholders.

ELECTRIC LIGHT AND POWER COMPANIES

<i>Year</i>	<i>Operating Revenues</i>	<i>Taxes</i>	<i>Taxes are % of Revenues</i>	<i>Average Rate Residential Electricity</i>
1912	\$ 250,000,000	\$ 13,117,198	5.2%	8.9 cents
1917	435,000,000	29,897,106	6.9	7.5
1922	871,000,000	73,128,440	8.4	7.4
1926	1,517,000,000	140,400,000	9.3	7.0
1927	1,666,000,000	157,000,000	9.4	6.8
1928	1,797,000,000	178,000,000	9.9	6.6
1929	1,932,000,000	187,500,000	9.7	6.3
1930	2,009,000,000	203,500,000	10.1	6.0
1931	1,994,000,000	210,000,000	10.5	5.8

HISTORICAL

In 1931 the Associated System, one of the five oldest public utility groups in the United States, completed a quarter century of group management. On March 17, 1906 the Associated Gas and Electric Company, with its principal office at Ithaca, New York, was incorporated for the purpose of bringing together a group of gas and electric properties under common management.

These twenty-five years have seen the making of the electric light and power industry and the rejuvenation of the gas industry. The growth of the Associated System has more than paralleled that of these industries. From 8,000 customers in 1906 it has grown to 1,438,000 customers. The original Associated Companies are still part of the Associated System, the oldest being the Ithaca

Gas Light Company, which was established in 1852. Thus the Associated System is, in effect, 80 years old.

In 1926, the New England Gas and Electric Association was formed. It is a part of the Associated System reporting separately. Its properties serve leading New England cities, including Worcester, Cambridge, New Bedford, and the Cape Cod area in Massachusetts; Portsmouth, New Hampshire and parts of the Maritime Provinces of Canada. The General Gas & Electric Corporation became a part of the Associated System in 1929, and was included as a subsidiary of the Associated Gas and Electric Company in 1931. Its properties serve in central Florida, and in Columbia, South Carolina and adjacent areas.



ASSOCIATED GAS AND ELECTRIC COMPANY

ANNUAL REPORT

For the Year Ended December 31, 1931

ASSOCIATED Gas and Electric Company is the principal unit of the Associated System. Its subsidiaries serve 1,181,925 customers, who account for about 86% of System operating revenues. Subsidiaries of the Associated Company are divided for operating purposes into eight groups: 1. Mohawk Valley, serving about one-half the area of New York State; 2. Metropolitan Edison, in Eastern Pennsylvania and North-western New Jersey; 3. Western Pennsylvania; 4. American Utilities, operating in Louisiana, Arkansas, Oklahoma, Texas, New Mexico, Arizona; 5. Kentucky-Tennessee-Indiana group; 6. Staten Island Edison, in Borough of Richmond (Staten Island), New York City; 7. General Gas & Electric in South Carolina and Florida; 8. Philippine group, in the City of Manila and surrounding territory.

Comparison of Operating Results of Company and Subsidiaries

ONLY SINCE DATES OF ACQUISITION

	Years ended December 31,		Increase	
	1931	1930	Amount	%
Gross Operating Revenues.....	\$90,575,228.32	\$84,219,292.74	\$6,355,935.58	7.54
Operating Expenses, Maintenance, All Taxes, etc.....	\$48,806,976.20	\$45,324,138.80	\$3,482,837.40	7.68
Provision for Retirement (Renewals, Replacements) of Fixed Capital—Depreciation, etc.....	8,310,493.53	4,849,192.79	3,461,300.74	71.38
Total Operating Expenses, etc.....	\$57,117,469.73	\$50,173,331.59	\$6,944,138.14	13.84
Net Operating Revenues.....	\$33,457,758.59	\$34,045,961.15	\$ 588,202.56*	1.73*
Other Income.....	6,284,895.36	9,403,759.56	3,118,864.20*	33.16*
Gross Income.....	\$39,742,653.95	\$43,449,720.71	\$3,707,066.76*	8.53*
Fixed Deductions from Income:				
Operating Companies.....	\$10,427,749.11	\$ 7,782,611.86	\$2,645,137.25	33.99
Group Companies, etc.....	5,559,953.15†	2,594,977.65	2,964,975.50	114.26
Associated Gas and Electric Company.....	11,661,911.48	12,123,187.21	461,275.73*	3.80*
Total Fixed Deductions from Income.....	\$27,649,613.74	\$22,500,776.72	\$5,148,837.02	22.88
Balance.....	\$12,093,040.21	\$20,948,943.99	\$8,855,903.78*	42.27*

*Decrease.

†Exclusive of that portion of charges ranking after Fixed Interest Requirements of Associated Gas and Electric Company.

Gross earnings including other income were \$96,860,124; net available for fixed charges and other deductions after depreciation, \$39,742,654. Net earnings available for Class A Stock were equivalent to 79 cents a share on the average number of shares of Class A Stock outstanding.

The consolidated statement of earnings and expenses for the year 1931 includes the full operations of the General Gas & Electric Corporation and the Eastern Utilities Investing Corporation for the first time since their acquisition. Heretofore, these two corporations have been treated as



investment companies and the income from them has been included as other income. They are now being included as subsidiaries of the Associated Gas and Electric Company. Inasmuch as their operations are not included in the 1930 figures above, conclusions should not be predicated upon the foregoing comparisons.

The comparisons made in the following paragraph are on the basis of including these two groups in the 1930 figures to arrive at the correct result.

Operating revenues of the Company increased \$1,177,306, and have held up favorably in spite of lessened use of services by industries, smaller consumption of gas for house heating occasioned by unseasonable weather, and a reduction in street railway traffic, which fortunately is only a small portion of the Company's business. Operating expenses, maintenance, etc. increased \$71,071 and provision for taxes was \$1,018,968 higher than for 1930. Provision for retirement (renewals, replacements) of fixed capital, etc. increased \$3,046,807. The result was net operating revenues of \$33,457,-

759 compared to \$36,417,299 in 1930, a reduction of \$2,959,540.

The adequacy of net earnings to cover fixed interest charges is shown in the accompanying table.

Year	Times Earned "Overall"	
	Before Depreciation	After Depreciation
1926.....	1.84	1.62
1927.....	1.99	1.79
1928.....	2.12	1.90
1929.....	2.05	1.89
1930.....	2.15	1.93
1931.....	1.74	1.44

The fact that earnings on Class A Stock were lower in 1931 than 1930 is accounted for by the decline in non-operating income, and by the increases of 21% in taxes and 58% in the amount set aside for the depreciation and replacement of fixed capital. While this increase in the provision for replacements necessarily affects the earnings on Class A Stock, it is, however, a desirable policy from the long term point of view.

AUDITING

The Company has continued its policy of having its accounts and those of the constituent companies examined by Messrs. Haskins & Sells, Certified Public Accountants, except that the Manila companies are audited by other certified public accountants. Due to the size of the System, it was not practicable to complete the examination of all of the companies prior to the issuance of this report. At the present time the Associated Gas and Electric Company itself and a considerable number of the subsidiaries (approximately 40% in point of gross revenues) have been examined and the others are under way or will be shortly. Pending the completion of the examination of the accounts of the subsidiaries, Messrs. Haskins & Sells have reviewed the consolidated statements prepared by the Company for the

year ended December 31, 1931, from the standpoint of proper compilation from the reports of subsidiary companies.

Upon the completion of the examination of the accounts of the Company and subsidiaries (excepting the Manila companies), for the year ended December 31, 1930, Messrs. Haskins & Sells rendered their report, which was in agreement with the statements published in the Company's annual report for 1930 (pages 18 to 21 inclusive), with the exception of the segregation from Funded Debt of \$7,316,605.39, representing obligations maturing during 1931. In their report they did not pass upon the valuation of investments, and called attention to the fact that amortization of debt discount and expense was charged direct to capital surplus or corporate surplus.

FINANCING

Conditions arising from the uncertainty that existed in financial markets during 1931 have well justified the Associated plan of finance. This plan is to obtain, as far as practicable, all new money by the issuance of securities of the parent com-

pany, and to restrict to a minimum issues of bonds and preferred stocks of operating subsidiaries. The successful execution of this policy over several years has left a reservoir of credit in the subsidiary companies for contingencies. At the beginning of



1932 there were available for sale \$60,000,000 in operating company mortgage bonds, nearly all of which are legal for savings banks.

This reserve of credit is important in view of obligations of operating companies maturing in

1932. It is proposed to finance these obligations by the sale of part of the reserve of mortgage bonds mentioned above. The obligations themselves are as follows:

	June 16, 1932
Bank loans of operating subsidiaries.....	\$5,974,750*
One-year notes of operating subsidiaries:	
Rochester Gas and Electric Corp. 3% due July 15.....	\$ 9,580,000
Pennsylvania Electric Co. 3½% due August 1.....	8,065,000
Total one-year notes (excluding notes of Staten Island Edison Corporation mentioned below)	\$17,645,000

*The greater portion of these loans have been funded so as to be paid as they mature out of earnings. The balance were incurred to protect bank balances, are offset by equivalent cash, and are being paid as they mature.

Staten Island Edison Corporation, a subsidiary of the Company, sold in 1931 an issue of \$7,500,000 3% One-Year Gold Notes, due June 15, 1932. It was the opinion of the bankers through whom the issue was offered that in view of conditions existing in the securities markets, the maturity should be met by an issue of 6% Refunding and Improvement Mortgage Gold Bonds, due June 14, 1933. Holders of the One-Year Gold Notes were offered \$1,000 principal amount of the new issue and \$10 in cash for each \$1,000 principal amount of One-Year Notes. At the date of publication of this report (June 16, 1932) the exchange offer had been accepted by the holders of over 63% of the outstanding notes. The bankers who offered the notes have announced that the exchange offer has been extended to June 25, 1932.

Proceeds from the sale of 8% Eight Year Gold Bonds of the Associated Gas and Electric Corporation, a subsidiary of the Associated Gas and Electric Company, savings from earnings, etc., have made it possible to pay all the bank loans and purchase money obligations of the Associated Gas and Electric Company, which amounted to \$10,440,153 on December 31, 1931.

Progress of the Associated Gas and Electric Company (Parent Company) in paying these bank loans and purchase money obligations, contracted during the Company's period of expansion, is seen in the following table:

	June 16, 1932	Dec. 31, 1931	Dec. 31, 1930
Bank loans.....	None	\$7,450,000	\$15,000,000
Purchase money obligations.....	None	2,990,153	8,831,793

SECURITY ISSUES DURING 1931

During 1931 there were four issues of mortgage bonds and three issues of one-year notes of subsidiaries, for the purpose of retiring securities of greater yields and repayment of advances.

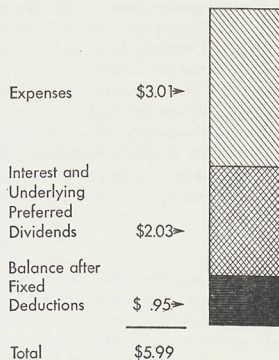
The mortgage bond issues were as follows:

New Jersey Power & Light Company, 4½%.	\$8,048,500
Pennsylvania Electric Company, 4%	5,442,000
Metropolitan Edison Company, 4%	4,770,000
New York State Electric & Gas Corp., 4½%.	6,985,100

The one-year notes of subsidiaries were as follows:

Staten Island Edison Corp. 3% due June 15...	\$7,500,000
Rochester Gas and Electric Corp. 3% due July 15.....	10,000,000
Pennsylvania Electric Co. 3½% due August 1	9,000,000

DISPOSITION OF AVERAGE MONTHLY REVENUE PER CUSTOMER



There were also issued \$2,500,000 in 6% bonds of The Metropolitan Edison Corporation.

New Bedford Gas and Edison Light Company, an operating company in the Associated Gas and Electric System, but not a subsidiary of Associated Gas and Electric Company, also sold in 1931 an issue of \$4,500,000 3% Gold Notes, due June 15, 1932. These notes were paid at maturity with funds obtained from bank loans. The loans are to be repaid out of earnings over a period of two years.

DECISION TO CONSERVE CASH

The first half of 1931 was characterized by a financial market that was reasonably receptive to bond issues, and financing throughout the electric industry was on a scale comparable to that of 1930. However, unsatisfactory market conditions, bank failures, declining business, and other conditions attendant upon the present severe depression made it increasingly difficult to market securities by the middle of the year. High grade utility issues that were offered during the summer were disposed of

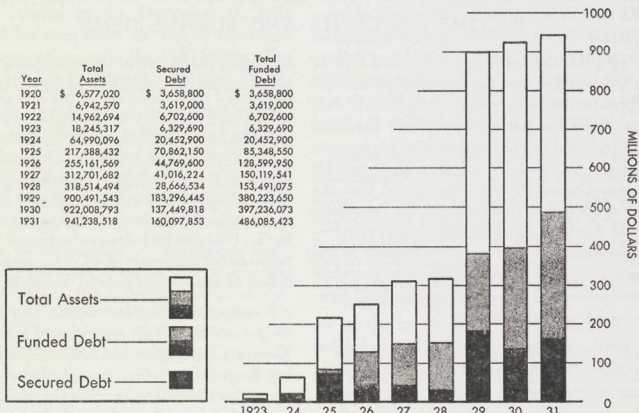
with difficulty. During October not a single important long-term issue was sold. In November and December a few bond issues were put out, but the capacity of the market was very definitely limited. This situation was reflected in the trend of bond prices. Thirty-eight representative utility debenture bonds which averaged 87 on July 1, 1931, declined to 69½ by October 1, and to 59¼ on December 31.

In view of this unusually difficult credit situation, it became the consensus of opinion that it was good policy to conserve cash. Such a move was especially desirable in the case of electric and gas utilities, because public service commissions have never intended that rates should produce revenue sufficient to pay off maturing obligations. Since these obligations could not be refinanced through earnings, and since general business conditions made it increasingly difficult to market securities the Associated Gas and Electric Company adopted the policy of conserving what cash it had on hand or was likely to accumulate. It was this necessity which moved the Directors to suspend cash dividends on Class A Stock.

ASSOCIATED GAS AND ELECTRIC COMPANY

and Subsidiary and Affiliated Companies

Comparison of Total Assets with Funded Debt and Mortgage and Secured Debt





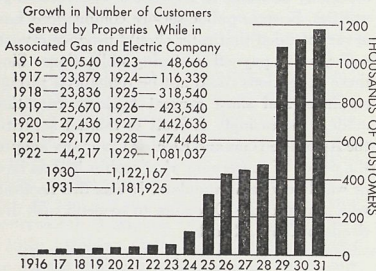
NEW GROUPING OF OPERATING COMPANIES

Operating companies were combined under four major group companies as follows: (1) *Associated Electric Company*—Properties in Western Pennsylvania, Kentucky, Tennessee, Missouri, Ohio, Indiana, Illinois, South Dakota, and the Philippine Islands; (2) *The Mohawk Valley Company*—

Properties serving about one-half the area of New York State; (3) *The Metropolitan Edison Corporation*—Properties in Eastern Pennsylvania, Northwestern New Jersey and Staten Island (New York City); (4) *General Gas & Electric Corporation*—Properties in South Carolina and Florida.

1,181,925 CUSTOMERS

ASSOCIATED GAS AND ELECTRIC COMPANY NUMBER OF CUSTOMERS



Inclusion during 1931 of the General Gas & Electric Corporation as a subsidiary of the Associated Gas and Electric Company brings the number of customers of Associated Company properties to 1,181,925, compared to 1,122,167 in 1930.

Of the total number of customers, 698,158 are residential electric customers who account for 35% of the electric operating revenues. This large number of residential customers is an important element of stability in Company revenues, because use of electricity by these consumers has been little affected by prevailing business conditions.

COMMENTS ON COMPARATIVE CONSOLIDATED BALANCE SHEETS, INCOME ACCOUNTS AND SURPLUS ITEMS

Prior to 1931 the holdings in General Gas & Electric Corporation and Eastern Utilities Investing Corporation were carried as investments and, therefore, these companies' assets and liabilities were not included in the consolidated statements of Associated Gas and Electric Company and its subsidiaries. During 1931 it was decided that the inclusion of these two companies in the consolidation would result in a more complete and comprehensive statement of the financial condition of the parent company and its subsidiaries and therefore the figures submitted herein for the year 1931 have been prepared upon that basis.

As a result, a comparison of the consolidated balance sheets of Associated Gas and Electric Company at December 31, 1931 and December 31, 1930 discloses substantial changes in some of the balance sheet items, and the following comments

regarding the principal differences are included to assist in the interpretation of the statements:

Fixed Capital—A substantial proportion of the increase in this item is due to the inclusion in 1931 of the fixed capital balances of the subsidiaries of General Gas & Electric Corporation (Broad River Power Company, Lexington Water Power Company, etc.). The balance of this account at December 31, 1931 also includes a reduction of \$30,000,000 taken out of the Reserve for Contingencies, in recognition of the current general decline in price levels.

Investments—The decrease in this item is due to the investment in securities of General Gas & Electric Corporation and Eastern Utilities Investing Corporation which were included in "Investments" at December 31, 1930 but which have been eliminated from the 1931 statements as the result of including these companies in the consolidation.



Capital Stock and Surplus of Associated Gas and Electric Company—The decrease of approximately \$150,000,000 in this item in 1931 is due, in large measure, to the elimination in consolidation of the Preferred and Preference Stocks of Associated Gas and Electric Company held by General Gas & Electric Corporation and Eastern Utilities Investing Corporation, which were included as outstanding in the 1930 figures. This item also reflects a transfer, authorized by the Directors, of \$50,000,000 from capital surplus to a reserve for contingencies.

Stocks, and Applicable Surplus, the Majority of which are of the Same Rank with Stocks of Associated Gas and Electric Company—This caption includes the Preferred, Preference, Class A and B Common Stocks, and applicable surplus, of General Gas & Electric Corporation and Eastern Utilities Investing Corporation held by the public. These stocks are so classified because Associated Gas and Electric Company securities comprise a large proportion of the investments of General Gas & Electric Corporation and Eastern Utilities Investing Corporation and the latter's stocks are considered as ranking, therefore, with the stocks of Associated Gas and Electric Company in the consolidated statements.

Obligations Convertible into Stock at Company's Option and Obligations of Equivalent Rank—The items thus labeled in the December 31, 1931 consolidated balance sheet should be combined for proper comparison with the 1930 figures. The item of \$50,448,121.49 is the amount of such obligations of Associated Gas and Electric Company actually outstanding with the public. The reduction during the year is due, mainly, to the elimination in the consolidated statements, of the holdings of such obligations by General Gas & Electric Corporation, Eastern Utilities Investing Corporation and Binghamton Light, Heat & Power Co.

The item of obligations of equivalent rank, \$24,790,000, represents General Gas & Electric Corporation Gold Notes, Eastern Utilities Investing Corporation Debentures, and Binghamton Light, Heat & Power Co. Preferred Stock outstanding in the hands of the public. As these securities are represented by investments of the three companies in convertible obligations of Associated Gas and Electric Company they are classified as being of equal rank therewith.

Funded Debt of Operating Companies—Of the increase of over \$55,000,000 in funded debt of operating companies \$25,828,500 represents the bonds of the subsidiaries of General Gas & Electric Corporation. The issuance during 1931 of additional underlying securities, due to the demoralized condition of financial markets, which made it necessary to offer mortgage bonds to provide funds for construction, maturities, and so forth accounts for the remainder of the increase.

Funded debt of Associated Gas and Electric Company increased approximately \$50,000,000 during the year 1931, due, principally, to the issuance of debentures of Associated Gas and Electric Company in exchange for securities of General Gas & Electric Corporation, Eastern Utilities Investing Corporation and other subsidiaries.

Reduction in notes payable from \$15,005,084.00 to \$9,343,927.75 more than accounts for the \$4,502,696.13 decrease in the "cash" account.

Reserve for renewals, replacements and retirements of fixed capital increased approximately \$6,300,000 during the year and other reserves show an increase of about \$4,000,000. The management believes that under present economic conditions it is especially desirable to provide adequate reserves for the retirement of fixed capital.

Recognizing the shrinkage in the value of investments and the decline in price levels and to provide for possible contingencies, the Directors authorized the segregation of \$50,000,000 from capital surplus to reserves for contingencies. As previously mentioned, \$30,000,000 of this reserve was applied to reduce the amount at which fixed capital is stated on the balance sheet.

Income Account—On page 31 the comparative consolidated income account discloses an increase in the operating revenues of \$6,355,935.58. This is due primarily to the inclusion of the operating revenues of the General Gas & Electric Corporation and its subsidiaries which were not previously included in the consolidated statement. The increase in operating expenses is also primarily accounted for by the inclusion of the operating subsidiaries.

The increase in the Provision for Retirements is due to the inclusion of the operating subsidiaries mentioned above in the amount of \$771,151.68, and the balance of the increase is due to the desire of the management to provide adequate reserves



for the retirement of fixed capital and, with that in mind, has increased the provisions materially over the amounts which were provided in preceding years.

The decrease in Other Income of \$3,118,864.20 is due primarily to the fact that in preceding years the Company treated as other income the interest and dividends which it received from its holdings in securities of General Gas & Electric Corporation and Eastern Utilities Investing Corporation. Due to the consolidation of these two companies in the statement for the year 1931, such items of income are eliminated and in their place is substituted the actual operations of the companies now included. The result of the substitution of the actual operations of these companies is noted in the increase in the various items which are being described herewith.

The increase in Operating Companies' Charges is due to the inclusion of the operating companies mentioned above in the amount of \$1,543,711.55, and the fact that the management found it necessary during the year 1931 to finance part of its requirements through the issuance of operating company mortgage bonds.

The increase in Group Companies', Etc., Charges is due to the inclusion of the charges of the General

Gas & Electric Corporation, Eastern Utilities Investing Corporation and W. S. Barstow & Co.

The statement shows a decrease of \$8,855,-903.78 in earnings after taking care of the Fixed Interest Requirements of Associated Gas and Electric Company. This is due principally to the larger increase in the provision for retirements, and the fact that the interest and dividends received from the General Gas & Electric Corporation and Eastern Utilities Investing Corporation have now been omitted in consolidation and replaced by the actual operations of the above companies.

To a large extent this decrease is offset by decreases in interest and dividend requirements of junior securities of the Associated Gas and Electric Company, which are shown as charges to Surplus on page 23.

Surplus Account—The statement of consolidated surplus on page 23 reflects the inclusion of the companies mentioned above. The deductions from surplus include the interest and dividends paid on securities of those companies outstanding in the hands of the public. The charges on such securities have been classified in such a manner that they are shown with the type of security from which they derive their income in order to pay dividends on their own securities.

CONCLUSION

During 1931 the electric and gas utilities maintained a better record of earnings than perhaps any other major industry. The Associated Gas and Electric Company maintained a record comparing favorably with that of the industry as a whole.

This showing of the utilities is due to the fact that electricity and gas are growing industries which supply daily needs in the home, that the industry has no problem of overproduction, and that electricity and gas are not subject to wide price fluctuations. While utilities do not make the large profits a private business can earn in prosperous times, they should not suffer the same declines in poor times.

The showing of the Associated Gas and Electric Company is due to its large proportion of domestic service, 42% of total gas and electric operating revenues, a higher percentage than the average for other large utility groups. It is also due to operat-

ing policies which concentrate efforts on new business in a time when new business is harder to obtain.

THE PRICE OF ASSOCIATED SECURITIES

In view of the inherent soundness of the Company, one might ask with some justification why its securities are selling at such low prices. Explanation for this lies in the influence of four factors, three of which have been created by conditions outside the Company's control.

The first reason is that in times of fear such as have recently prevailed in the stock and bond markets, investors have a tendency to take their money out of stocks and debentures and put it into banks, government bonds, and lock boxes.

The second reason is that the price of securities is governed, as in the case of everything else, by supply and demand. Due to the rapid growth of



the System since 1925, it was necessary to create large issues of securities which were not fully digested by the investing public at the time of the break in the market. This aggravated what has developed into an oversupply of all kinds of securities. The result was that prices of Associated securities were driven below what appears to be any reasonable level of value.

Political agitation against public utilities no doubt has an adverse effect upon utility securities. The principal cause of government regulation of private business in the past has been a purported safeguarding of the public interest against the evils of unrestricted competition on one hand and of unrestricted monopoly on the other. Neither of these conditions obtains in the public utility industry, and the current criticism comes not from a public that is seeking better service but from politicians who are seeking votes. This is a matter which warrants consideration by every holder of public utility securities, because it is a matter that can be remedied only by an aroused public opinion.

A final reason why Associated securities are underpriced is that the abuses of holding company power by some utility holding companies have been carelessly alleged against all holding companies, the Associated included. A careful inspection of Associated Gas and Electric Company history will show that it is not responsible for such abuses.

The Associated Gas and Electric Company is interested in the management of its properties, not merely in their ownership. No properties of any size or significance have been sold in recent years. Moreover, properties are concentrated in desirable areas in New York, Pennsylvania, and New Jersey, where they constitute natural operating units.

The Company has emphasized the importance of figuring earnings on the "overall" basis, which shows a truer picture of the relation of earnings to interest requirements. The Company has taken a leading position among utilities in the simplification of its financial structure. Security issues were reduced by three parent company issues and 147 underlying issues of subsidiaries during the six years ended December 31, 1931. Gross income is ample so that it could shrink 30% and still cover the interest on Associated bonds. It is almost inconceivable that such a shrinkage could occur, since the decline was only 8.5% in the last year.

The evidence in all these matters bears out the inherent soundness of the Associated Gas and Electric Company and its securities.

Respectfully submitted,

FOR THE BOARD OF DIRECTORS,

J. I. MANGE,
President

June 16, 1932



Associated Gas and Electric Company

CONDENSED CONSOLIDATED INCOME ACCOUNT

For the year ended December 31, 1951

(Income of Companies acquired during the year is included only from approximate dates of acquisition to December 31, 1951)

OPERATING REVENUES:

This represents the amount billed to customers for electricity, gas, water, etc.

Electric.....	\$69,379,210.81	
Gas.....	12,423,570.49	
Water, Transportation, Heat and Miscellaneous.....	8,772,447.02	
Total Operating Revenues.....		\$90,575,228.32

OPERATING EXPENSES, MAINTENANCE, TAXES, Etc. (including Companies' Accruals for 1951 Federal Income Taxes).....

\$48,806,976.20

Covers all the expenses of operation, including maintenance, materials, purchased electricity, accounting, management, etc.

PROVISION FOR RETIREMENT (RENEWALS, REPLACEMENTS), OF FIXED CAPITAL—DEPRECIATION, ETC.....

8,310,493.53

The amount accrued for retiring property due to obsolescence or inadequacy.

Total Operating Expenses, Etc..... 57,117,469.73

OPERATING INCOME.....

\$35,457,758.59

Amount remaining after all expenses and taxes have been deducted.

OTHER INCOME:

Income of Non-utility Subsidiaries.....	2,870,469.07
Other Interest, Dividends, Etc.....	3,414,426.29

GROSS INCOME.....

\$39,742,653.95

LESS—FIXED CHARGES AND OTHER DEDUCTIONS:

Subsidiary Companies:

Operating Companies' Interest on Funded and Unfunded Debt (less Interest during Construction).....

\$ 7,874,990.59

Operating Companies' Preferred Stock Dividends.....

2,463,491.26

Group Companies', Etc. Interest and Preferred Stock Dividends.....

5,559,953.15*

Income applicable to Common Stocks of Subsidiary Companies held by the Public.....

89,267.26

15,987,702.26

BALANCE.....

\$23,754,951.69

Fixed Interest Requirements of Associated Gas and Electric Company:

Funded Debt..... \$11,156,551.45

Unfunded Debt..... 505,360.03

11,661,911.48

Ratio showing
number of times
interest is earned.

{ Times Earned—Before Depreciation.....

2.75

{ Times Earned—After Depreciation.....

2.03

{ Times Earned "Over-all"—Before Depreciation....

1.74

{ Times Earned "Over-all"—After Depreciation.....

1.44

BALANCE.....

\$12,093,040.21

*Exclusive of that portion of charges ranking after Fixed Interest Requirements of Associated Gas and Electric Company.

The above income account consolidates the full year's operations of General Gas & Electric Corporation and Eastern Utilities Investing Corporation. Unamortized debt discount and expense has been charged to capital surplus, except that in the case of certain subsidiary companies a portion thereof was charged to corporate surplus during the year.



Associated Gas and Electric Company

STATEMENT OF CONSOLIDATED SURPLUS

For the year ended December 31, 1931

CONSOLIDATED EARNED SURPLUS

BALANCE—January 1, 1931, (Including \$4,614,514.05 Surplus of Companies not Previously Consolidated*)	\$ 7,685,258.37
Balance of Income, Year ended December 31, 1931	12,095,040.21
Miscellaneous Adjustments (net)	187,366.67
Total	<u>\$ 19,965,665.25</u>

DEDUCTIONS:

Interest on Obligations Convertible into Stock at Company's Option, being converted in 1932 (\$2,465,983.48) and Other Charges Ranking therewith (\$1,654,026.19)	\$ 4,120,009.67
Dividends on Preferred Stock (\$1,917,015.24) and Other Dividends Ranking therewith (\$514,052.47)	2,431,067.71
Dividends on Preference Stock (\$536,122.46) and Other Dividends Ranking therewith (\$1,448,647.51)	1,984,769.97
Priority Dividends on Class A Stock	3,628,767.64
Priority Dividends on Class B Stock	299,869.13
Additional Provision for Retirement (Renewals, Replacements) of Fixed Capital—Depreciation, Etc. Applicable to the Year 1930	295,152.10
Amortization of Debt Discount and Expense and Premium on Retired Bonds	590,186.74
Adjustment of Surplus of Subsidiaries at Acquisition, Applicable to Prior Period	763,181.89
BALANCE—December 31, 1931	<u>\$ 5,852,660.40</u>

*Principally General Gas & Electric Corporation and Eastern Utilities Investing Corporation.

CONSOLIDATED CAPITAL SURPLUS

BALANCE—January 1, 1931	\$ 26,674,004.07
ADDITIONS:	
From reduction of stated capital for stocks	111,060,834.60
Distribution from subsidiary (not consolidated) of profit from security transactions	4,325,900.00
Total	<u>\$142,060,738.67</u>
DEDUCTIONS:	
Debt discount and expense—Balance	\$17,223,480.28
Cost of refinancing—Balance	24,582,596.15
Adjustment of book value of securities	2,482,248.01
Book value of contracts eliminated in consolidation	15,847,400.15
Adjustment of book value of fixed capital assets (net)	372,244.17
Unamortized suspense eliminated in consolidation	2,307,857.61
Miscellaneous deductions (net)	86,126.25
Transferred to Reserve for Contingencies	\$50,000,000.00
Less offset by subsidiary charges in consolidation	7,540,715.54
Total	<u>42,459,284.46</u>
BALANCE—December 31, 1931	<u>105,361,237.08</u>
	<u>\$ 36,699,501.59</u>



Associated Gas and Electric Company

CONDENSED CONSOLIDATED BALANCE SHEET

December 31, 1951

ASSETS SIDE

FIXED CAPITAL.....	\$832,280,912.38
This amount represents the generating equipment, systems for the transmission and distribution of electricity, gas and water, and franchises, etc.	
INVESTMENTS.....	78,269,460.91
Securities of other companies, including advances to subsidiary and affiliated companies not included in the consolidation. Certain stocks and bonds of underlying companies which eliminate in this statement are pledged with trustees under outstanding funded debt.	
CASH.....	8,466,497.93
The cash in bank and on hand to pay current obligations.	
SPECIAL DEPOSITS (see contra).....	1,252,540.24
Cash deposits for specific purposes, such as funds for the payment of matured interest and bonds called for redemption.	
ACCOUNTS RECEIVABLE—CONSUMERS, LESS RESERVE.....	6,926,621.89
The amount due the operating companies for gas, electricity, water and other utility services.	
NOTES AND ACCOUNTS RECEIVABLE—MISCELLANEOUS, LESS RESERVE.....	6,495,609.61
The amount due from purchasers of gas and electric appliances, and from other miscellaneous sources.	
MATERIALS AND SUPPLIES.....	5,586,033.28
The cost of all supplies carried in stock necessary for efficient and prompt service. This includes coal, oil, cable, wire, gas pipe, poles, repair parts, etc.	
SINKING FUNDS IN HANDS OF TRUSTEES, ETC.....	574,966.26
Cash deposits with trustees in accordance with indenture requirements.	
PREPAID EXPENSES.....	482,867.68
The amount of insurance premiums, taxes, etc. paid in advance and not as yet chargeable to expenses.	
MISCELLANEOUS ITEMS IN SUSPENSE.....	905,008.14
Miscellaneous expenditures, the final disposition of which has not been determined and items being written off over a period of years.	
TOTAL ASSETS SIDE.....	<u>\$941,238,518.32</u>

*No maturities prior to March 1, 1948.

†For statement of progress in provision for current maturities see page 16.

‡Principally securities of General Gas & Electric Corporation and Eastern Utilities Investing Corporation.

In the above statement unamortized debt discount and expense has been charged to capital surplus.



Associated Gas and Electric Company

CONDENSED CONSOLIDATED BALANCE SHEET

December 31, 1931

LIABILITIES SIDE AND CAPITAL

CAPITAL STOCK AND SURPLUS: (See Page 34)

Associated Gas and Electric Company:

Preferred and Preference Stocks, Class A (4,681,357 shares) and B (614,366 shares) Stocks and Common Stock (1,472,161 shares)—Capital, and Earned and Capital Surplus \$168,859,071.47

Stocks, and applicable surplus, the majority of which are of same rank with

Preferred and Preference Stocks of Associated Gas and Electric Company 62,251,583.33†

Subsidiary Companies:

Preferred Stocks—Stated at Liquidation Values \$ 40,985,010.00
Common Stocks and Surplus Applicable Thereto 2,087,764.84

TOTAL CAPITAL STOCK AND SURPLUS 43,072,774.84

TOTAL CAPITAL STOCK AND SURPLUS \$274,183,429.64

OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION AND OBLIGATIONS OF EQUIVALENT RANK: (See Page 35)

Associated Gas and Electric Company (Being converted in 1932) \$ 50,448,121.49

Other Companies (\$2,382,000 matures in 1932) 24,790,000.00†

TOTAL 75,238,121.49

FUNDED DEBT: (See Page 35)

Associated Gas and Electric Company \$244,106,769.70*

Subsidiary Companies' Bonds Held by Public:

Group Companies, etc. (\$1,000 Matures in 1932) \$ 56,847,000.00

Operating Companies (\$26,987,500 Matures in 1932†) 181,941,500.00

TOTAL FUNDED DEBT 238,788,500.00

TOTAL FUNDED DEBT 482,895,269.70

PURCHASE MONEY OBLIGATIONS PAYABLE IN 1932

Unpaid installments for purchase of securities and property 3,190,153.00†

MATURED BOND INTEREST AND BONDS CALLED FOR REDEMPTION (See contra)

Coupons which have matured and bonds called for redemption, but not yet presented for payment 1,252,540.24

NOTES PAYABLE 9,343,927.75†

Loans incurred to meet current construction expenditures, etc.

ACCOUNTS PAYABLE 2,594,225.78

Bills for materials, services and other items approved for payment.

ACCRUED INTEREST, DIVIDENDS AND MISCELLANEOUS 10,579,384.75

The amount of interest, dividends, etc. applicable to 1931 but not yet due for payment.

ACCRUED TAXES 2,440,988.17

Taxes which are accrued but not yet due.

CONSUMERS' SERVICE AND LINE DEPOSITS 4,084,632.05

The amount deposited by gas, electric, water and other consumers as security for payment of their bills and refundable advances for line extensions.

RESERVE FOR CONTINGENCIES 20,000,000.00

Reserve created out of Capital Surplus for shrinkage in value of investments, etc.

RETIREMENT (DEPRECIATION) RESERVE APPROPRIATIONS 46,459,974.94

Provision for replacing or retiring property as it wears out, becomes obsolete or inadequate.

RESERVE FOR FEDERAL INCOME TAXES 3,155,711.59

Provision for 1931 taxes and for such additional taxes for prior years as may be asserted.

OTHER RESERVES 5,820,159.22

Miscellaneous reserves to cover various contingencies.

TOTAL LIABILITIES SIDE AND CAPITAL \$941,238,518.32

(See Footnotes on Page 24)



Associated Gas and Electric Company

CONDENSED COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1927 to 1931 inclusive

ASSETS SIDE

	1931†	1930	1929	1928	1927
CAPITAL ASSETS:					
Fixed Capital	\$832,280,912.38	\$753,895,078.51*	\$634,940,391.96*	\$242,091,175.42*	\$236,312,524.24*
Investments (Including Investments in and net Advances to subsidiary and affiliated companies not included in the consolidation)	78,269,460.91	123,567,554.26	228,386,863.82	51,417,044.31	58,957,542.09
Total Capital Assets	\$910,550,373.29	\$877,462,632.77	\$863,327,255.78	\$293,508,219.73	\$295,270,066.33
SPECIAL DEPOSITS (Contra) ..	1,252,540.24	—	—	—	—
CURRENT ASSETS:					
Cash, Call Loans, etc.	8,466,497.93	12,969,194.06	11,698,402.69	7,013,643.71	5,717,510.94
Accounts Receivable, Consumers, less reserve.	6,926,621.89	7,444,851.15	6,636,394.45	2,599,244.54	2,853,844.96
Notes and Accounts Receivable, Miscellaneous.	6,495,609.61	6,697,496.27	4,342,093.11	4,007,344.14	4,371,311.16
Materials and Supplies.	5,586,033.28	5,830,377.87	6,600,466.82	2,555,911.57	2,926,419.38
Total Current Assets	\$ 27,474,762.71	\$ 32,941,919.35	\$ 29,277,357.07	\$ 16,176,143.96	\$ 15,869,086.44
SINKING FUNDS for Retirement of Bonds.	574,966.26	165,462.65	106,706.45	39,638.30	81,556.48
DEFERRED CHARGES:					
Prepaid Expenses.	482,867.68	625,389.20	644,039.68	434,436.44	457,283.20
Miscellaneous Items in Suspense.	903,008.14	3,418,221.48	4,631,684.21	1,059,775.84	1,023,889.72
Unamortized Debt Discount and Expense.	—	7,395,168.10	2,504,499.71	7,296,279.99	—
Total Deferred Charges	\$ 1,385,875.82	\$ 11,438,778.78	\$ 7,780,223.60	\$ 8,790,492.27	\$ 1,481,172.92
TOTAL ASSETS SIDE	\$941,238,518.32	\$922,008,793.55	\$900,491,542.90	\$318,514,494.26	\$312,701,682.17

*Includes Cost of Acquiring Capital.

†Balance sheet December 31, 1931 includes General Gas & Electric Corporation and Eastern Utilities Investing Corporation on consolidated basis.

In the above statement unamortized debt discount and expense at December 31, 1931 is charged to capital surplus.



Associated Gas and Electric Company

CONDENSED COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1927 to 1931 inclusive

LIABILITIES SIDE AND CAPITAL

	1931†	1930	1929	1928	1927
CAPITAL STOCK AND SURPLUS:					
Associated Gas and Electric Company	\$168,859,071.47	\$317,475,178.25	\$286,044,320.67	\$100,206,602.90	\$ 99,964,991.41
Stocks, the majority of which are of same rank with stocks of Company.	62,251,583.35	—	—	—	—
SUBSIDIARY COMPANIES:					
Preferred Stocks.....	40,985,010.00	48,893,130.00	52,151,139.00	145,015.00	4,504,970.00
Common Stocks and Surplus Applicable Thereto.	2,087,764.84	2,721,468.21	3,884,091.31	3,400.00	42,423.75
Total Capital Stock and Surplus.....	\$274,183,429.64	\$369,089,776.46	\$342,079,550.98	\$100,355,017.90	\$104,512,385.16
OBLIGATIONS Convertible into Stock at Company's Option and Obligations of Equivalent Rank.....	75,238,121.49	76,003,224.00	89,392,119.03	16,332,548.43	13,459,350.00
FUNDED DEBT:					
Associated Gas and Electric Company.....	244,106,769.70	194,152,255.00	160,334,706.00	106,869,541.00	47,873,317.50
Group Companies, etc.....	56,847,000.00	67,424,000.00	43,445,500.00	17,955,000.00	61,230,000.00
Operating Companies.....	181,941,500.00†	126,828,025.00	118,943,488.54	26,680,050.00	38,622,500.00
Total Funded Debt....	\$482,895,269.70	\$388,404,280.00	\$322,723,693.54	\$151,504,591.00	\$147,725,817.50
PURCHASE Money Obligations	3,190,153.00†	8,831,793.39	57,499,956.75	1,986,483.81	2,393,724.00
MATURED BONDS and Bond Interest (See contra).....	1,252,540.24	—	—	—	—
CURRENT LIABILITIES:					
Notes Payable.....	9,343,927.75†	15,005,084.00	32,428,058.04	21,893,837.93	20,717,066.55
Accounts Payable.....	2,594,225.78	3,060,540.97	6,862,508.33	3,388,732.26	1,400,721.82
Accrued Interest, Dividends and Miscellaneous Accounts.....	10,579,384.75	10,227,875.98	10,469,741.14	3,521,729.62	3,469,747.48
Accrued Taxes.....	2,440,988.17	2,523,661.19	3,984,398.95	1,610,466.41	1,461,324.66
Total Current Liabilities	\$ 24,958,526.45	\$ 30,817,162.14	\$ 53,744,706.46	\$ 30,414,766.22	\$ 27,048,860.51
CONSUMERS' DEPOSITS.....	4,084,632.05	3,716,830.82	4,813,958.94	1,950,523.59	1,861,373.82
RESERVES:					
Contingencies.....	20,000,000.00	—	—	—	—
Retirement (Depreciation) Reserve Appropriations	46,459,974.94	40,159,863.43	28,200,377.38	14,439,574.63	12,702,032.63
Other Reserves.....	8,975,870.81	4,985,863.31	2,037,179.82	1,530,988.68	2,998,138.55
Total Reserves.....	\$ 75,435,845.75	\$ 45,145,726.74	\$ 30,237,557.20	\$ 15,970,563.31	\$ 15,700,171.18
TOTAL LIABILITIES SIDE AND CAPITAL.....	\$941,238,518.32	\$922,008,793.55	\$900,491,542.90	\$318,514,494.26	\$312,701,682.17

†Balance sheet December 31, 1931 includes General Gas & Electric Corporation and Eastern Utilities Investing Corporation on consolidated basis.

†For statement of progress in provision for current maturities see page 16.



Associated Gas and Electric Company

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL RECEIPTS AND CAPITAL DISBURSEMENTS

December 31, 1930 to December 31, 1931

CAPITAL RECEIPTS

CASH BALANCE AT DECEMBER 31, 1930 PER ANNUAL REPORT.....		\$ 12,969,194.06
Adjustments at December 31, 1930 to Include General Gas & Electric Corporation, Eastern Utilities Investing Corporation and Other Companies on Consolidated Basis:		
ADD: INCREASES IN LIABILITIES AND CAPITAL		
Preferred, Preference, Class A and B Common Stocks and Applicable Surplus of General Gas & Electric Corporation and Eastern Utilities Investing Corporation.....	\$ 87,692,007.24	
Preferred Stocks of Subsidiaries.....	2,359,100.00	
Common Stocks of Subsidiaries.....	689,920.25	
Obligations of Equivalent Rank with Obligations Convertible into Stock at Company's Option.....	59,723,000.00	
Funded Debt of Operating Companies.....	30,267,400.00	
Notes Payable.....	1,560,000.00	
Optional and Other Reserves.....	6,558,830.28	\$188,850,257.77
DEDUCT: INCREASES IN ASSETS AND DECREASES IN LIABILITIES AND CAPITAL		
Capital Assets.....	\$ 86,970,503.55	
Excess of Current Assets over Current Liabilities.....	1,570,235.59	
Deferred Charges.....	168,688.78	
Capital Stock and Surplus of Company.....	57,042,181.21	
Obligations Convertible into Stock at Company's Option.....	34,014,400.00	
Funded Debt of Company.....	5,782,500.00	
Funded Debt of Group Companies.....	2,112,000.00	187,460,510.13
		<u>1,589,747.64</u>
CASH BALANCE, AT DECEMBER 31, 1930 AS ADJUSTED.....		\$ 14,358,941.70
RECEIPTS FOR THE YEAR ENDED DECEMBER 31, 1931:		
Balance of Undistributed Earnings—Transferred to Surplus.....		12,095,040.21
Decrease in Undistributed Debit Items.....		10,221,591.74
Decrease in Excess of Current Assets over Current Liabilities.....		2,095,515.28
Decrease in Capital Assets.....		53,882,763.03
Increase in Optional and Other Reserves (Including Reserve for Contingencies, \$20,000,000).....		23,731,288.73
Capital Issues, Including Conversions and Exchanges (Details on Page 29):		
Stocks of Company.....	\$ 16,581,409.48	
Stocks, the Majority of which are of Same Rank with Preferred and Preference Stocks of Company.....	2,052,119.20	
Obligations Convertible into Stock at Company's Option.....	14,006,487.23	
Funded Debt of Company.....	58,502,739.70	
Funded Debt of Group Companies.....	7,970,500.00	
Funded Debt of Operating Companies.....	53,906,600.00	152,819,855.61
TOTAL CAPITAL RECEIPTS.....		<u>\$269,202,996.30</u>

CAPITAL DISBURSEMENTS

Decrease in Purchase Money Obligations.....	\$ 5,641,640.39
Decrease in Notes Payable.....	7,221,156.25
Capital Securities Retired through Redemption, Conversion, Purchase or Exchange (Details on Page 30):	
Stocks of Company.....	\$ 5,087,400.00
Stocks, the Majority of which are of Same Rank with Preferred and Preference Stocks of Company.....	27,492,543.11
Obligations Convertible into Stock at Company's Option.....	5,547,189.74
Obligations of Equivalent Rank with Obligations Convertible into Stock at Company's Option.....	34,933,000.00
Funded Debt of Company.....	2,765,725.00
Funded Debt of Group Companies.....	16,435,500.00
Funded Debt of Operating Companies.....	29,060,525.00
Capital Stocks of Subsidiaries.....	11,590,843.62
	<u>132,912,726.47</u>
Dividends and Other Items Charged Against Earned Surplus (Net). See Analysis on Page 23.....	13,925,638.18
Miscellaneous Items Charged Against Capital Surplus (Net). See Analysis on Page 23.....	101,035,337.08
TOTAL CAPITAL DISBURSEMENTS.....	<u>\$260,736,498.37</u>
CASH BALANCE AT DECEMBER 31, 1931.....	8,466,497.93
TOTAL.....	<u>\$269,202,996.30</u>



Associated Gas and Electric Company

DETAILS OF CONSOLIDATED CAPITAL ISSUES, INCLUDING CONVERSIONS AND EXCHANGES

December 31, 1930 to December 31, 1931

STOCKS OF COMPANY:

PREFERRED STOCK (LIQUIDATION VALUE):

\$6.00 Dividend Series.....	47,729 Shares	\$	4,772,900.00
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PREFERENCE STOCK:

\$6.50 Cumulative	43,637 Shares	4,363,700.00
\$6.00 Cumulative	1,458 Shares	145,800.00
\$5.50 Cumulative	16,679 Shares	1,667,900.00

CLASS A AND COMMON STOCK:

Class A (Net Increase).....	504,965 Shares	}	5,431,109.48	\$ 16,381,409.48
Common (Net Decrease).....	22,616 Shares			

STOCKS, THE MAJORITY OF WHICH ARE OF SAME RANK WITH PREFERRED AND

PREFERENCE STOCKS OF COMPANY:

General Gas & Electric Corporation Class A Common Stock.....	\$ 1,899,734.90	
Eastern Utilities Investing Corporation Class A Common Stock.....	152,384.30	2,052,119.20

OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION:

6% Convertible Debenture Certificates, 1931 Series	\$ 2,066,010.00	
7% Convertible Obligations	33,000.00	
6½% Convertible Obligations	1,041,400.00	
6% Convertible Obligations	153,500.00	
5% Convertible Obligations	9,520,700.00	
Miscellaneous	1,191,877.23	14,006,487.23

FUNDED DEBT OF COMPANY:

Consolidated Refunding Gold Debentures:

4½%, due 1958.....	\$ 5,831,400.00
5%, due 1968.....	19,987,550.00

Convertible Gold Debentures:

4½%, due 1948.....	107,760.00
4½%, due 1949.....	16,388,000.00
5%, due 1950.....	13,267,300.00
5½%, due 1977.....	1,007,000.00

Convertible Debenture Bonds, 5% due 1965	584,200.00
Miscellaneous	1,329,529.70

58,502,739.70

FUNDED DEBT OF GROUP COMPANIES:

Associated Electric Company 5% Gold Bonds, due 1961.....	\$ 5,458,000.00	
The Metropolitan Edison Corporation 6% Secured Consolidated Refunding Gold Bonds, due 1961.....	2,493,200.00	
The Mohawk Valley Company 6% Gold Debentures, due 2031.....	19,300.00	7,970,500.00

FUNDED DEBT OF OPERATING COMPANIES:

Broad River Power Company, 5% due 1954.....	\$ 28,500.00	
Empire Gas and Electric Company, 6% due 1952.....	34,000.00	
Empire Gas and Electric Co. and Empire Coke Co., Joint 5% due 1941	40,000.00	
Erie Lighting Company, 5% due 1967.....	670,000.00	
Frankfort Water Company, 5% due 1936.....	108,000.00	
Indiana Gas Utilities Company, 5% due 1946.....	36,000.00	
Metropolitan Edison Company, 4½% due 1968.....	1,149,500.00	
Metropolitan Edison Company, 4% due 1971.....	4,770,000.00	
New Jersey Power & Light Company, 4½% due 1960.....	8,048,500.00	
New York State Electric & Gas Corporation, 4½% due 1980.....	6,985,100.00	
Pennsylvania Electric Company, 3½% due 1932.....	9,000,000.00	
Pennsylvania Electric Company, 4% due 1971.....	5,442,000.00	
Rochester Gas and Electric Corporation, 3% due 1932.....	10,000,000.00	
Staten Island Edison Corporation, 3% due 1932.....	7,500,000.00	
Miscellaneous	95,000.00	53,906,600.00

TOTAL CONSOLIDATED CAPITAL ISSUES, INCLUDING CONVERSIONS AND EXCHANGES ...	\$152,819,855.61
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Associated Gas and Electric Company

DETAILS OF CONSOLIDATED CAPITAL SECURITIES RETIRED THROUGH REDEMPTION, CONVERSION, PURCHASE OR EXCHANGE

December 31, 1950 to December 31, 1951

STOCKS OF COMPANY:

PREFERRED STOCK (LIQUIDATION VALUE):

Original Series	1,806 Shares	\$	90,300.00	
\$7.00 Dividend Series	890 Shares		89,000.00	
\$6.50 Dividend Series	9,097 Shares		909,700.00	
\$5.00 Dividend Series	34,810 Shares		3,481,000.00	

PREFERENCE STOCK (LIQUIDATION VALUE):

\$4.00 Cumulative	10,348 Shares		517,400.00	\$ 5,087,400.00
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STOCKS, THE MAJORITY OF WHICH ARE OF SAME RANK WITH PREFERRED AND

PREFERENCE STOCKS OF COMPANY:

General Gas & Electric Corporation, \$6.00 Cumulative Preferred, Series A and B	\$	20,303,917.50	
General Gas & Electric Corporation, \$7.00 and \$8.00 Cumulative Preferred..		503,275.00	
Eastern Utilities Investing Corporation, Participating Preference.....		5,706,700.00	
Miscellaneous		978,650.61	27,492,543.11

OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION:

6½% Convertible Debenture Certificates, Series B and C	\$	375,800.00	
6% Convertible Debenture Certificates, Series A of 1929		970,045.00	
6% Convertible Debenture Certificates, Series B of 1929		1,430,238.36	
Miscellaneous		2,771,106.38	5,547,189.74

OBLIGATIONS OF EQUIVALENT RANK WITH OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION:

General Gas & Electric Corporation Serial Gold Notes	\$	16,132,000.00	
Eastern Utilities Investing Corporation 5% Gold Debentures, due 1954		18,131,000.00	
Binghamton Light, Heat & Power Co., Cumulative Preferred Stock		670,000.00	34,933,000.00

FUNDED DEBT OF COMPANY:

Gold Debenture Bonds, due 2875	\$	6,000.00	
5½% Convertible Investment Certificates		907,045.00	
\$1.60 Interest Bearing Allotment Certificates		967,080.00	
\$8.00 Interest Bearing Allotment Certificates		885,600.00	2,765,725.00

FUNDED DEBT OF GROUP COMPANIES:

American Utilities Company, 6% due 1945 and 6½% due 1941	\$	821,500.00	
Associated Electric Company, 4½% due 1953		2,387,000.00	
Rochester Central Power Corporation, 5% due 1953		13,119,000.00	
Miscellaneous		108,000.00	16,435,500.00

FUNDED DEBT OF OPERATING COMPANIES:

Florida Public Service Company, 6½% due 1949, 6% due 1955 and 7% due 1934	\$	4,046,900.00	
Lake Ontario Power Corporation, 5½% due 1957		449,000.00	
Metropolitan Edison Company, 5% due 1953		250,500.00	
Municipal Gas & Electric Company of Rochester, 4½% due 1942		1,385,000.00	
New Jersey Power & Light Company, 5% due 1956		5,919,400.00	
New York State Electric & Gas Corporation, 3¾% due 1931		6,700,000.00	
Penn Public Service Corporation, 5% due 1954 and 6% due 1947		620,000.00	
Rochester Gas and Electric Corporation, 7% due 1946		7,000,000.00	
Southern Ice & Utilities Company, 6% due 1946 and 6½% due 1932		841,000.00	
Miscellaneous		1,848,725.00	29,060,525.00

CAPITAL STOCKS OF SUBSIDIARIES:

Common Stocks	\$	1,323,623.62	
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Preferred Stocks:

Metropolitan Edison Company, \$6.00 Cumulative		803,700.00	
New Jersey Power & Light Company, \$6.00 Cumulative		344,400.00	
Rochester Gas and Electric Corporation, 6% Cumulative, Series D		1,300,500.00	
Rochester Central Power Corporation, 6% Cumulative		6,352,400.00	
Miscellaneous		1,466,220.00	11,590,843.62

TOTAL CONSOLIDATED CAPITAL SECURITIES RETIRED THROUGH REDEMPTION, CONVERSION, PURCHASE OR EXCHANGE

\$132,912,726.47



Associated Gas and Electric Company

CONDENSED COMPARATIVE CONSOLIDATED INCOME ACCOUNT

(Excludes income of subsidiary companies prior to dates of acquisition)

	<i>For years ended December 31st</i>				
	1931†	1930	1929	1928	1927
OPERATING REVENUES:					
Electric.....	\$69,379,210.81	\$63,921,577.29	\$54,878,680.51	\$24,531,431.00	\$23,302,139.58
Gas.....	12,423,570.49	12,061,832.39	9,636,030.66	4,490,146.54	4,147,801.08
Water, Transportation, Heat and Miscellaneous.....	8,772,447.02	8,235,885.06	4,388,542.46	3,335,535.77	3,873,546.21
Total.....	\$90,575,228.32	\$84,219,292.74	\$68,903,253.63	\$32,357,113.31	\$31,323,286.87
OPERATING EXPENSES, Maintenance and Taxes.....	48,806,976.20	45,324,138.80	36,299,957.85	18,290,276.40	18,264,654.74
PROVISION FOR RETIREMENT (Renewals, Replacements) of Fixed Capital—Depreciation, etc.....	8,310,493.53	4,849,192.79	3,371,076.72	1,830,454.52	1,698,731.00
Total.....	\$57,117,469.73	\$50,173,331.59	\$39,671,034.57	\$20,120,730.92	\$19,963,385.74
Operating Income.....	\$33,457,758.59	\$34,045,961.15	\$29,232,219.06	\$12,236,382.39	\$11,359,901.13
OTHER INCOME.....	6,284,895.36*	9,403,759.56	10,637,660.27	3,934,755.50	3,973,454.32
GROSS INCOME.....	\$39,742,653.95	\$43,449,720.71	\$39,869,879.33	\$16,171,137.89	\$15,333,355.45
Less FIXED CHARGES and Other Deductions:					
Operating Companies	10,427,749.11	7,782,611.86	7,676,841.19	605,427.90	1,934,801.58
Group Companies, etc.....	5,559,953.15†	2,594,977.65	2,530,476.18	2,784,382.20	3,715,811.90
Total.....	\$15,987,702.26	\$10,377,589.51	\$10,207,317.37	\$ 3,389,810.10	\$ 5,650,613.48
Balance.....	\$23,754,951.69	\$33,072,131.20	\$29,662,561.96	\$12,781,327.79	\$ 9,682,741.97
FIXED INTEREST REQUIREMENTS of Associated Gas and Electric Co.:					
Interest on Funded Debt.....	11,156,551.45	11,250,372.31	7,763,685.06	4,072,947.72	2,359,339.64
Interest on Unfunded Debt....	505,360.03	872,814.90	3,154,993.26	1,031,175.18	530,662.93
Total.....	\$11,661,911.48	\$12,123,187.21	\$10,918,678.32	\$ 5,104,122.90	\$ 2,890,002.57
Times Earned "Over-all":					
Before Depreciation.....	1.74	2.15	2.05	2.12	1.99
After Depreciation.....	1.44	1.93	1.89	1.90	1.79
		<i>Ratio showing</i>	<i>number of times</i>	<i>interest is earned.</i>	
BALANCE.....	\$12,093,040.21	\$20,948,943.99	\$18,743,883.64	\$ 7,677,204.89	\$ 6,792,739.40

*For detail see page 22. †Exclusive of that portion of charges ranking after Fixed Interest Requirements of Associated Gas and Electric Company. ‡Consolidates the full year's operations of General Gas & Electric Corporation and Eastern Utilities Investing Corporation.

Unamortized debt discount and expense has been charged to capital surplus, except that in the case of certain subsidiary companies a portion thereof was charged to corporate surplus.



Associated Gas and Electric Company

(Parent Company Only)

CONDENSED COMPARATIVE BALANCE SHEET

December 31, 1927 to 1931 inclusive

ASSETS SIDE

	1931	1930	1929	1928	1927
Investments in Subsidiaries...	\$673,409,425.95	\$537,962,963.69	\$583,281,703.92	\$221,493,329.68	\$ 54,370,691.67
Investments in Subsidiaries, Pledged.....	3,064,575.09†	15,346,655.05†	16,799,216.18†	—	—
Cash.....	4,781,665.03	8,148,653.72	9,696,800.42	5,805,085.18	4,471,411.68
Accounts Receivable from Subsidiaries.....	6,465,162.26	18,056,422.83	20,451,425.33	5,798,456.42	104,346,947.93
Interest and Dividends Re- ceivable.....	195,652.08	6,047,804.19	1,144.28	—	—
Due from Subscribers.....	—	—	—	2,923,586.00	3,077,525.00
Prepayments and Suspense...	223,479.88	379,930.41	305,211.01	342,451.99	565,600.30
Joint Guaranty.....	2,661,000.00‡	—	—	—	—
Unamortized Debt Discount and Expense.....	—	7,453,845.60	—	5,347,589.63	—
Endorsement of Subsidiary Notes (contra).....	315,000.00	—	—	—	—
TOTAL ASSETS SIDE...	\$691,115,960.29*	\$593,396,275.49*	\$630,535,501.14*	\$241,710,498.90*	\$166,832,176.58*
*Excludes cost of acquiring capital (written off in 1931)	\$22,112,033.24	\$21,376,726.85	\$11,326,280.24	\$18,970,023.40	\$20,258,325.85

†Pledged together with certain stock of an underlying subsidiary as security for Purchase Money Obligations.

‡Joint Guaranty of Subsidiary Company's Mortgage Bonds due 1941 (Included in Funded Debt below).

Unamortized debt discount and expense had been charged to capital surplus at December 31, 1931.

LIABILITIES SIDE AND CAPITAL

	1931	1930	1929	1928	1927
Capital and Surplus.....	\$284,798,702.75	\$289,114,361.15	\$277,501,626.97	\$ 89,116,364.00	\$ 80,126,612.38
Obligations Convertible into Stocks at Company's Option	82,014,021.49	76,003,224.00	97,116,094.74	16,332,548.43	13,467,266.66
Funded Debt.....	253,040,269.70	195,326,875.00	161,023,625.00	109,369,541.00	47,873,907.50
Purchase Money Obligations	2,990,153.00*	8,831,793.39	57,981,242.04	1,463,247.03	1,749,275.00
Notes Payable (unsecured)...	7,450,000.00*	15,000,000.00	26,970,000.00	21,504,400.00	20,535,000.00
Accounts Payable and Accrued Taxes.....	175,502.61	130,534.56	73,500.65	343,428.07	256,951.88
Accrued Interest.....	5,074,878.15	4,164,032.80	3,259,411.85	1,802,182.20	1,305,095.93
Dividends Declared, Payable in Cash.....	1,413,885.09	2,490,874.79	4,633,899.53	726,608.20	391,666.68
Dividends Declared, Payable in Stock.....	390,113.08	—	—	—	—
Reserves for Taxes, etc.....	3,453,434.42	2,334,579.80	1,976,100.36	1,052,179.97	1,126,400.55
Reserve for Contingencies...	50,000,000.00	—	—	—	—
Subsidiary Notes Endorsed (contra).....	315,000.00	—	—	—	—
TOTAL LIABILITIES SIDE AND CAPITAL...	\$691,115,960.29	\$593,396,275.49	\$630,535,501.14	\$241,710,498.90	\$166,832,176.58

*The purchase money obligations and the notes payable had all been paid by May 20, 1932.



Associated Gas and Electric Company

(Parent Company Only)

COMPARATIVE CONDENSED INCOME ACCOUNT

	<i>For years ended December 31st</i>				
	1931	1930	1929	1928	1927
GROSS INCOME (Excluding non-recurring income items)....	\$27,611,932.34	\$33,873,687.08	\$26,413,104.75	\$12,676,316.99	\$ 8,876,400.64
FIXED CHARGES:					
Interest on Funded Debt...	11,517,155.22	11,296,962.77	7,968,117.67	4,176,072.72	2,359,339.64
Interest on Unfunded Debt.	644,570.30	1,194,736.46	3,154,993.26	1,032,132.28	541,822.68
Total.....	\$12,161,725.52	\$12,491,699.23	\$11,123,110.93	\$ 5,208,205.00	\$ 2,901,162.32
Balance.....	\$15,450,206.82	\$21,381,987.85	\$15,289,993.82	\$ 7,468,111.99	\$ 5,975,238.32
Interest on Obligations Convertible into Stock at Company's Option.....	4,599,122.65	5,140,143.00	2,641,990.20	991,773.04	534,086.90
BALANCE Transferred to Surplus.....	\$10,851,084.17	\$16,241,844.85	\$12,648,003.62	\$ 6,476,358.95	\$ 5,441,151.42

Above statements do not include amortization of debt discount and expense, all of which has been charged to capital surplus.

Associated Gas and Electric Company

(Parent Company Only)

STATEMENT OF SURPLUS

For the year ended December 31, 1931

	<i>Earned</i>	<i>Capital</i>	<i>Total</i>
BALANCE, JANUARY 1, 1931.....	\$ 1,014,199.14	\$ 23,416,054.26	\$ 24,430,253.40
ADDITIONS:			
Reduction of Stated Capital for Stocks.....	—	111,060,834.60	111,060,834.60
Balance of Income, Year Ended December 31, 1931.....	10,851,084.17	—	10,851,084.17
Non-Recurring Income and Other Credits.....	23,497.07	1,600,000.00	1,623,497.07
TOTAL.....	\$ 11,888,780.38	\$136,076,888.86	\$147,965,669.24
DEDUCTIONS:			
Transferred to Reserve for Contingencies.....	\$ —	\$ 50,000,000.00	\$ 50,000,000.00
Cost of Acquiring Capital at December 31, 1931 Charged Off	—	22,112,033.24	22,112,033.24
Unamortized Debt Discount and Expense Charged Off.....	—	13,454,436.75	13,454,436.75
Dividends on Preferred Stock.....	2,431,067.71	—	2,431,067.71
Dividends on Preference Stock.....	5,316,984.22	—	5,316,984.22
Priority Dividends on Class A Stock.....	3,628,767.64	—	3,628,767.64
Priority Dividends on Class B Stock.....	299,869.13	—	299,869.13
Donation to Wholly Owned Subsidiary Company.....	—	1,250,000.00	1,250,000.00
Miscellaneous Deductions (Net).....	—	385,917.28	385,917.28
TOTAL DEDUCTIONS.....	\$ 11,676,688.70	\$ 87,202,387.27	\$ 98,879,075.97
BALANCE, DECEMBER 31, 1931.....	\$ 212,091.68	\$ 48,874,501.59	\$ 49,086,593.27



Associated Gas and Electric Company

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Capital Stock of Associated Gas and Electric Company	Shares Held by Public	Dividend Dates	Transfer Agents	Registrars
			(see reference page 38)	
Preferred:				
Original Series—Cumulative (\$3.50).....	40,480	A&O-1	24	4
\$7.00 Series—Cumulative.....	96,192	A&O-1	24	5
\$6.50 Series—Cumulative.....	70,558	J&D-1	24	44
\$6.00 Series—Cumulative.....	92,460	J&D-1	24	1
\$5.00 Series—Cumulative.....	15,298	J&D-15	24	3
Preference:				
\$6.50 Series—Cumulative.....	43,637	A&O-1	24	22
\$6.00 Series—Cumulative.....	1,458	A&O-1	24	25
\$5.50 Series—Cumulative.....	16,679	J&D-15	24	45
\$4.00 Series—Cumulative.....	46,535	M&N-1	24	5
Class A.....	4,681,357	M&N-1	13-16-19-24-47	3-15-17-18-22
Class B.....	614,366	—	24	—
Common.....	1,472,161	—	13-24-47	14-15-22
Optional Stock Purchase Warrants.....	1,199,647*	—	24	44

*Number of shares of Class A Stock issuable upon exercise of all outstanding warrants.

Stocks, the majority of which are of the same rank with Preferred and Preference Stocks of Associated Gas and Electric Company	Rate	Shares Held by Public	Dividend Dates	Transfer Agents	Registrars
				(see reference page 3B)	
EASTERN UTILITIES INVESTING CORPORATION:					
Prior Preferred-Cumulative.....	5	1,261	JAJO-1	24	30
Cumulative Preferred.....	6	1,465	MJSD-1	24	4
Cumulative Preferred.....	7	6,610	MJSD-1	24	3
Participating Preference.....	7-8	2,899	FMAN-1	24	46
Class A—Common.....	—	193,581	—	13-24	15-44
GENERAL GAS & ELECTRIC CORPORATION:					
Cumulative Convertible Preferred, Series A and B.....	6	288,205	MJSD-15	24	23
Cumulative Preferred.....	7	19,532	JAJO-1	24	1
Cumulative Preferred.....	8	14,636	JAJO-1	24	1
Class A—Common.....	—	2,097,131	—	24-47	1-22
Class B—Common.....	—	12,542	—	24	1

Preferred Stocks of Subsidiary Companies	Rate	Shares Held by Public	Dividend Dates	Transfer Agents	Registrars
				(see reference page 3B)	
American Utilities Company—Cumulative.....	7	639	—	24	44
Broad River Power Company—Cumulative.....	7	19,248	FMAN-1	24	44
The Clarion River Power Company—Participating.....	—	9,332.1	—	24	46
Empire Gas and Electric Company—Series A—Cumulative.....	6	1,529	MJSD-1	24	44
Empire Gas and Electric Company—Series D—Cumulative.....	6	2,622	MJSD-1	24	44
Empire Gas and Electric Company—Series C—Cumulative.....	7	7,498	MJSD-1	24	44
Florida Public Service Company—Cumulative.....	7	1,284	—	24	44
Metropolitan Edison Company—Cumulative.....	5	387	JAJO-1	24	44
Metropolitan Edison Company—Cumulative.....	6	113,367	JAJO-1	24	44
Metropolitan Edison Company—Cumulative.....	7	7,098	JAJO-1	24	44
New Jersey Power & Light Company—Cumulative.....	5	18	JAJO-1	24	44
New Jersey Power & Light Company—Cumulative.....	6	12,384	JAJO-1	24	44
New York Central Electric Corporation—Cumulative.....	7	31,224	JAJO-1	24	44
Rochester Central Power Corporation—Cumulative.....	6	19,516	JAJO-1	24	44
Rochester Gas and Electric Corporation—Cumulative Series B.....	7	35,462	MJSD-1	24	44
Rochester Gas and Electric Corporation—Cumulative Series C.....	6	18,501	MJSD-1	24	44
Rochester Gas and Electric Corporation—Cumulative Series D.....	6	131,306	MJSD-1	24	44
Southern Ice and Utilities Company—Cumulative.....	7	391	—	24	44
Southern Ice and Utilities Company—Participating Cumulative.....	7	44	—	24	44



Associated Gas and Electric Company

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Common Stocks of Subsidiary Companies	Shares Held by Public	Transfer Agents	Registrars
		(see reference page 38)	
American Utilities Company.....	332	24	44
The Associated Utilities Investing Corporation—Class A.....	663	24	44
Brockport Gas Light Company.....	26	24	—
Cold Spring Light, Heat and Power Company.....	15	24	—
Metropolitan Edison Company.....	17,226	24	44
Rochester Central Power Corporation.....	7,242	24	44
Southern Ice and Utilities Company—Class A.....	1,501	24	44
Southern Ice and Utilities Company—Class B.....	4,402	24	44
Tennessee-Missouri Power Company.....	171	24	44
West Virginia Light, Heat and Power Company.....	345	24	—

Obligations of Associated Gas and Electric Company Convertible into Stock at Company's Option (Being converted in 1932)	Interest Rate	Amount Held by Public	Interest Dates	Interest Payable at	Transfer Agents
				(see reference page 38)	
Convertible Debenture Certificates, Series B and C.....	6½	\$ 991,300.00	J & J-1†	24-47	24
Convertible Debenture Certificates, Series A of 1929.....	6	16,877,320.00	J & D-1#	24-47	24-47
Convertible Debenture Certificates, Series B of 1929.....	6	12,343,180.00	J & D-1#	24-47	24
Convertible Debenture Certificates, Series C, D, E, and F.....	6	5,207,700.00	M & S-1#	24-47	24
Convertible Debenture Certificates, Series of 1931.....	6	2,066,010.00	J & D-1#	24-47	24
Convertible Obligations.....	7	33,000.00	F & A-15‡	24-47	24
Convertible Obligations.....	6½	1,041,400.00	F & A-15‡	24-47	24
Convertible Obligations.....	6	153,500.00	F & A-15‡	24-47	24
Convertible Obligations.....	5	9,520,700.00	F & A-15‡	24-47	24
Miscellaneous.....	—	2,214,011.49	—	—	—
Total.....		\$50,448,121.49			

‡ Registered F-M-A-N-15 † Registered J-A-J-O-1 # Registered M-J-S-D-1

Obligations of Equivalent Rank with Obligations of Associated Gas and Electric Company Convertible into Stock at Company's Option	Rate	Amount Held by Public	Interest or Dividend Dates	Interest Payable or Transfer Agents	Trustee or Registrars
				(see reference page 38)	
BINGHAMTON LIGHT, HEAT & POWER CO.:					
Cumulative Preferred (121 shares).....	5	\$ 12,100*	JAJO-1	24	44
Cumulative Preferred (6,149 shares).....	6	614,900*	JAJO-1	24	44
EASTERN UTILITIES INVESTING CORPORATION:					
Gold Debentures, due 1954.....	5	16,462,000	M & S-15	24	2
GENERAL GAS & ELECTRIC CORPORATION:					
Gold Notes, due serially to 1935.....	5	7,701,000	F & A-15	24	1
Total.....		\$24,790,000			

*Liquidation value.

Funded Debt of Associated Gas and Electric Company	Interest Rate	Amount Held by Public	Interest Dates	Interest Payable at	Trustee
				(see reference page 38)	
Convertible Gold Debentures, due 1977.....	5½	\$ 7,000,000.00	F & A-1	24	2
Gold Debenture Bonds, Consolidated Refunding:					
Series, due 1968.....	5	69,401,030.00	A & O-1	24-47	3
Series, due 1958.....	4½	5,892,000.00	M & N-1	24-47	1
Convertible Gold Debentures, due 1950.....	5	50,406,300.00	F & A-1	24-47	25
Convertible Gold Debentures, due 1949.....	4½	68,128,700.00	J & J-15	24-47	1
Convertible Gold Debentures, due 1948.....	4½	3,979,800.00	M & S-1	24-47	2
Convertible Investment Certificates.....	5½	20,975,780.00	M&N-15‡	24-47	24†
Convertible Debenture Bonds, due 1965.....	5	608,100.00	M & N-15‡	24-47	4†
Gold Debenture Bonds, due 2875.....	5	31,000.00	J & J-1	24-47	1
*Interest Bearing Allotment Certificates (117,987 Ctf.).....	\$1.60	3,539,610.00	J & J-1	47	24†
*Interest Bearing Allotment Certificates (106,791 Ctf.).....	\$8.00	12,814,920.00	J & J-1	47	24†
Miscellaneous.....	—	1,329,529.70	—	—	—
Total.....		\$244,106,769.70			

*Being converted in 1932

†Transfer Agent



Associated Gas and Electric Company

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded Debt of Group Companies, etc.	Interest Rate %	Amount Held by Public	Interest Dates	Interest Payable at (see reference page 38)	Trustee
AMERICAN UTILITIES COMPANY:					
First Lien and Refunding, Series A, due 1945.....	6	\$ 762,000	J & D-1	1	1
Gold Debentures, due 1941.....	6½	190,500	M & N-1	1-8	1
City of Rolla, Mo. (assumed) due serially to 1941	6	15,000	F & A-1	12	—
ASSOCIATED ELECTRIC COMPANY:					
Gold Bonds, due 1953.....	4½	14,399,000	J & J-1	24-47	3
Gold Bonds, due 1961.....	5	31,806,000	J & J-1	24-47	3
W. S. BARSTOW & COMPANY:					
Sinking Fund Gold Debentures, due 1942.....	6	1,789,500	A & O-1	1-48	1
THE METROPOLITAN EDISON CORPORATION:					
Secured Consolidated Refunding, due 1961.....	6	2,493,200	M & S-1	24-47	1
THE MOHAWK VALLEY COMPANY:					
Gold Debentures, due 2031.....	6	19,300	A & O-1	24-47	25*
ROCHESTER CENTRAL POWER CORPORATION:					
Gold Debentures, Series A, due 1953.....	5	5,372,500	M & S-1	24-47	7
Total.....		\$56,847,000			

*Authenticating Agent.

Funded Debt of Operating Companies	Interest Rate %	Amount Held by Public	Interest Dates	Interest Payable at (see reference page 38)	Trustee
BINGHAMTON LIGHT, HEAT & POWER CO.:					
First Refunding Mortgage, due 1946.....	5	\$ 6,991,000	A & O-1	24-47	3
BROAD RIVER POWER COMPANY:					
First and Refunding Mortgage, Series A, due 1954.....	5	4,340,500	M & S-1	3-17	3
Secured Sinking Fund, due 1934.....	6½	1,147,500	M & N-1	1-48	1
CANADEA POWER CORPORATION:					
First Mortgage, due 1958.....	5	2,000,000	A & O-1	10	11
CHASM POWER COMPANY:					
First Mortgage, due serially to 1955.....	5	21,500	A & O-15	32	32
CITIZENS LIGHT, HEAT & POWER COMPANY OF PENNSYLVANIA:					
First Mortgage, due 1934.....	5	964,000	M & N-1	16-26-27	20
COLUMBIA RAILWAY, GAS AND ELECTRIC COMPANY:					
First Mortgage Sinking Fund, due 1936.....	5	1,559,000	J & J-1	24	4
DELAWARE GAS LIGHT COMPANY:					
First Mortgage, due 1939.....	5	144,000	J & J-1	33	33
DEPEW AND LANCASTER LIGHT, POWER AND CONDUIT COMPANY:					
First Mortgage, due 1954.....	5	424,500	F & A-1	35	35
DU BOIS ELECTRIC AND TRACTION COMPANY:					
Collateral Trust, due 1932 (Paid at Maturity).....	5	104,000	M & N-1	24	4
ELMIRA WATER, LIGHT AND RAILROAD COMPANY:					
First Consolidated Mortgage, due 1956.....	5	4,694,000	M & S-1	2	2
EMPIRE GAS AND ELECTRIC COMPANY:					
General and Refunding Mortgage, Series A, due 1952.....	6	1,850,000	J & D-1	4	4
EMPIRE GAS AND ELECTRIC CO. AND EMPIRE COKE CO.:					
Joint First and Refunding Mortgage, due 1941.....	5	2,661,000	M & S-1	8	8
ERIE LIGHTING COMPANY:					
First Mortgage Sinking Fund, due 1967.....	5	3,948,000	A & O-1	8	8
FLORIDA PUBLIC SERVICE COMPANY:					
First Mortgage, Series B, due 1955.....	6	3,340,400	A & O-1	17-24-38	38
First Mortgage, Series A, due 1949.....	6½	545,900	F & A-1	17-24-38	38
Secured Gold Bonds, due 1934.....	7	204,300	F & A-1	24-31-42	31
FRANKFORT WATER COMPANY:					
First Mortgage Sinking Fund, due 1936.....	5	108,000	J & J-1	21	21
GENESEE VALLEY POWER COMPANY, INC.:					
First Mortgage, due serially to 1957.....	6	96,000	A & O-1	36	36
GRANVILLE ELECTRIC AND GAS COMPANY:					
Consolidated Mortgage, due 1935.....	5	26,500	A & O-1	34	34



Associated Gas and Electric Company

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded Debt of Operating Companies	Interest Rate %	Amount Held by Public	Interest Dates	Interest Payable at	Trustee
				(see reference page 38)	
INDIANA GAS UTILITIES COMPANY:					
First Mortgage, due 1946.....	5	\$ 810,000	J & J-1	16-26-27	3
JEFFERSON ELECTRIC COMPANY:					
First Mortgage, due 1933.....	5	90,500	M & S-1	37	37
THE LAKE SHORE GAS COMPANY:					
First Mortgage, due 1950.....	5½	584,000	M & N-1	26	3
LEXINGTON WATER POWER COMPANY:					
First Mortgage, due 1968.....	5	9,147,400	J & J-1	1-17	1
Convertible Sinking Fund Debentures, due 1953.....	5½	3,267,500	J & J-1	3-48	3
LOCKPORT LIGHT, HEAT AND POWER COMPANY:					
First Mortgage, Series A, due 1954.....	5½	1,218,000	M & N-1	2	2
LONG ISLAND WATER CORPORATION:					
First Mortgage, due 1955.....	5½	2,124,000	M & N-1	24	3
MANILA ELECTRIC COMPANY:					
First Refunding Mortgage, due 1946.....	5	50,000	M & S-1	1	1
THE MANILA ELECTRIC RAILROAD AND LIGHTING CORP.:					
First Lien and Collateral Trust, due 1953.....	5	836,000	M & S-1	24	1
THE MANILA SUBURBAN RAILWAYS COMPANY:					
First Mortgage, due 1946.....	5	53,000	M & S-1	24	2
METROPOLITAN EDISON COMPANY:					
First and Refunding Mortgage, Series C, due 1953.....	5	7,274,600	J & J-1	3-17	3
First Mortgage, Series D, due 1968.....	4½	22,735,500	M & S-1	3-17	3
First Mortgage, Series E, due 1971.....	4	4,770,000	M & N-1	24-47	3
NEW JERSEY POWER & LIGHT COMPANY:					
First Mortgage, due 1960.....	4½	10,100,000	A & O-1	24-47	3
NEW YORK CENTRAL ELECTRIC CORPORATION:					
First Mortgage, due 1950.....	5½	3,254,500	M & S-1	24-47	2
NEW YORK STATE ELECTRIC & GAS CORPORATION:					
First Mortgage, due 1962.....	5½	3,721,000	A & O-1	1	1
First Mortgage, due 1952.....	6	390,000	J & J-1	1	1
First Mortgage, due 1980.....	4½	6,985,100	M & S-1	24-47	1
NORTHERN PENNSYLVANIA POWER COMPANY:					
First and Refunding Mortgage, Series A, due 1956.....	5	1,673,400	J & D-1	3-8	3
THE PARR SHOALS POWER COMPANY:					
First Mortgage Sinking Fund, due 1952.....	5	2,276,000	A & O-1	1	4
PENN PUBLIC SERVICE CORPORATION:					
First and Refunding Mortgage, Series C, due 1947.....	6	4,548,000	M & N-1	29	6
First and Refunding Mortgage, Series D, due 1954.....	5	2,434,000	J & D-1	24-47	6
PENNSYLVANIA ELECTRIC COMPANY:					
First and Refunding Mortgage, Series F, due 1971.....	4	5,442,000	M & N-1	24-47	6
Gold Notes, due 1932.....	3½	9,000,000	F & A-1	24	1*
PLATTSBURGH GAS & ELECTRIC COMPANY:					
First Mortgage, due 1939.....	5	236,000	M & S-1	6	6
THE RIDGEFIELD ELECTRIC COMPANY:					
Gold Bonds, due 1952.....	5	18,000	J & J-1	6	6
RICHMOND LIGHT AND RAILROAD COMPANY:					
First and Collateral Trust, due 1952.....	4	1,000,000	J & J-1	3	3
ROCHESTER GAS AND ELECTRIC CORPORATION:					
General Mortgage, Series C, due 1948.....	5½	4,000,000	M & S-1	24-47	6
General Mortgage, Series D, due 1977.....	4½	5,988,000	M & S-1	24-47	6
Gold Notes, due 1932.....	3	10,000,000	J & J-15	24	25*
ROCHESTER RAILWAY AND LIGHT COMPANY:					
Consolidated Mortgage, due 1954.....	5	10,802,900	J & J-1	11-24-28	11
ROOSEVELT WATER, POWER AND LIGHT COMPANY:					
First Mortgage, due serially to 1944.....	6	15,000	F & A-1	39	39
SAYRE ELECTRIC COMPANY:					
First Mortgage, due 1947.....	5	375,500	A & O-1	41	40
SENECA POWER CORPORATION:					
First Mortgage, due 1946.....	6	387,500	M & S-1	7	7

*Authenticating agent.



Associated Gas and Electric Company

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded Debt of Operating Companies	Interest Rate %	Amount Held by Public	Interest Dates	Interest Payable at	Trustee
				(see reference below)	
SOUTHERN ICE AND UTILITIES COMPANY:					
First Mortgage, Convertible, due 1946.....	6	\$ 558,500	F & A-1	1	1
Convertible Gold Notes, due 1932.....	6½	326,000	J & D-1	1	1
STATEN ISLAND EDISON CORPORATION:					
Gold Notes, due 1932.....	3	7,500,000	J & D-15	24-47	25
TRACY DEVELOPMENT COMPANY:					
First Mortgage, due 1944.....	6	229,000	A & O-1	7	7
UNION GAS & ELECTRIC COMPANY:					
First Mortgage, due 1935.....	5	473,000	M & S-1	43	43
YORK HAVEN WATER AND POWER COMPANY:					
Gold Bonds, due 1951.....	5	1,247,500	J & D-1	9	9
MISCELLANEOUS.....	—	830,000	—	—	—
Total.....		\$181,941,500			

REFERENCE

Index—Trustees of Mortgages, Paying Agents and Registrars and Transfer Agents for Stock

- | | |
|--|--|
| <p>1 The Chase National Bank of the City of New York</p> <p>2 The New York Trust Company, New York</p> <p>3 Guaranty Trust Company of New York</p> <p>4 Irving Trust Company, New York</p> <p>5 City Bank Farmers Trust Company, New York</p> <p>6 Bankers Trust Company, New York</p> <p>7 Manufacturers Trust Company, New York</p> <p>8 The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Penna.</p> <p>9 The Real Estate-Land Title and Trust Company, Philadelphia, Penna.</p> <p>10 J. P. Morgan & Company, New York</p> <p>11 Security Trust Company of Rochester (N. Y.)</p> <p>12 Franklin-American Trust Company, St. Louis, Mo.</p> <p>13 Harris Forbes Trust Company, Boston, Mass.</p> <p>14 Hibernia Trust Company, New York</p> <p>15 The First National Bank of Boston (Mass.)</p> <p>16 Harris Trust and Savings Bank, Chicago, Ill.</p> <p>17 Continental Illinois Bank and Trust Co., Chicago, Ill.</p> <p>18 Security First National Bank of Los Angeles (Cal.)</p> <p>19 Bank of America-National Trust and Savings Association, Los Angeles, Cal.</p> <p>20 Chemical Bank & Trust Company, New York</p> <p>21 Fidelity and Columbia Trust Company, Louisville, Ky.</p> <p>22 First National Bank of Ithaca (N. Y.)</p> <p>23 Central Hanover Bank and Trust Company, New York</p> <p>*24 The Company, or Agency of the Company, 61 Broadway, New York</p> | <p>25 The Public National Bank and Trust Co. of New York</p> <p>26 Chase Harris Forbes Corporation, New York</p> <p>27 Chase Harris Forbes Corporation, Boston, Mass.</p> <p>28 Rochester Gas and Electric Corporation, Rochester, N. Y. (Registered bonds only)</p> <p>29 The First National Bank of the City of New York</p> <p>30 The Marine Midland Trust Company of New York</p> <p>31 The Atlantic National Bank of Jacksonville (Fla.)</p> <p>32 First National Bank of Chateaugay (N. Y.)</p> <p>33 The Easton Trust Company, Easton, Penna.</p> <p>34 The Troy Trust Company, Troy, N. Y.</p> <p>35 M & T Trust Company, Buffalo, N. Y.</p> <p>36 Exchange National Bank of Olean (N. Y.)</p> <p>37 Scranton Lackawanna Trust Co., Scranton, Penna.</p> <p>38 The Florida National Bank of Jacksonville (Fla.)</p> <p>39 Nassau County Trust Company, Mineola, N. Y.</p> <p>40 Miners Bank of Wilkesbarre (Penna.)</p> <p>41 Girard Trust Company, Philadelphia, Penna.</p> <p>42 The First National Bank of Chicago (Ill.)</p> <p>43 First Union Trust and Savings Bank, Chicago, Ill.</p> <p>44 H. B. Brown, J. J. McCarthy and Others, 120 Wall St., New York</p> <p>45 The Equitable Trust Company of New York</p> <p>46 J. F. McKenna and Others, 61 Broadway, New York</p> <p>*47 The Company, Ithaca, N. Y.</p> <p>48 Central Republic Bank and Trust Company, Chicago, Illinois</p> |
|--|--|

*Interest Payments—Coupons at 24 and registered at 47.



Operating Subsidiaries of Associated Gas and Electric Company

HAVING NO SECURITIES OUTSTANDING WITH THE PUBLIC

ARIZONA

Arizona General Utilities Company

ARKANSAS

Arkansas General Utilities Company

DELAWARE

The Dover Gas Light Company

FLORIDA

Sanford Gas Company

INDIANA

Loogootee Water Company
Ohio River Power Company
Rising Sun Water & Light Company

KENTUCKY

Hopkinsville Water Company
*Kentucky-Tennessee Light and Power Company
Kentucky Service Company
The Owensboro Gas Company

LOUISIANA

Louisiana Public Utilities Co., Inc.

MARYLAND

Associated Maryland Electric Power Corporation
The Maryland Public Service Company
Youghiogheny Hydro-Electric Corporation

MISSOURI

Missouri General Utilities Company
Missouri Southern Public Service Company

NEW JERSEY

Associated Public Utilities Corporation

NEW MEXICO

The Tucumcari Light and Power Company

NEW YORK

Owego Gas Corporation
The Patchogue Electric Light Company
Smyrna Telephone Company, Inc.
Spring Brook Water Company

OHIO

The Hilliard Light and Power Company
The Jefferson Gas Company
The New Matamoras Electric Company
The New Washington Electric Company
The North Baltimore Water and Electric Company
The Paint Township Light and Power Company
The Portsmouth Gas Company
The Van Wert Gas Light Company
The Wyandot Light & Power Company

OKLAHOMA

Panhandle Public Service Company

PENNSYLVANIA

Clarion Water Company
Johnstown Fuel Supply Company
Penelec Water Company

SOUTH DAKOTA

Sioux Falls Gas Company

TENNESSEE

Dover Power Company
*Kentucky-Tennessee Light and Power Company
Southern Utilities Company
Tennessee General Utilities Company

TEXAS

Texas General Utilities Company

VERMONT

Granville Electric Company

PHILIPPINE ISLANDS

Argosino Electric Plant, Inc.
Atimonan Electric Company, Inc.
Baliuag Electric Company, Inc.
Bicol Electric Company
Calumpit Electric Company
Cavite Electric Company
Dagupan Light and Power Company
Electra Lipena, Inc.
Escudero Electric Service Company
Gapan Electric Company
La Union Electric Company, Inc.
Lucena Electric Company, Inc.
Meycauayan Electric Company
San Jose Light and Power Company
Santa Rosa Electric Co., Inc.
Tarlac Electric Service Company, Inc.

*Except Purchase Money Notes and Liability for Municipal Bonds.

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT
1932

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT

INCLUDING DATA REGARDING ASSOCIATED GAS AND ELECTRIC SYSTEM

(PAGES 10 TO 22)

FOR THE YEAR ENDED DECEMBER 31, 1932

ASSOCIATED GAS AND ELECTRIC COMPANY

Officers

J. I. MANGE, <i>Chairman and President</i>	New York
H. C. HOPSON, <i>Vice-President and Treasurer</i>	New York
S. J. MAGEE, <i>Vice-President and General Manager</i>	New York
J. M. DALY, <i>Vice-President</i>	New York
F. S. BURROUGHS, <i>Vice-President</i>	New York
O. E. WASSER, <i>Comptroller and Assistant Secretary-Treasurer</i>	Ithaca, N. Y.
C. A. DOUGHERTY, <i>Secretary</i>	New York

Directors

FREDERICK S. BURROUGHS New York Vice-President	SANFORD J. MAGEE New York Vice-President and General Manager
JOHN M. DALY New York Vice-President	JOHN I. MANGE New York Chairman and President
CHARLES A. DOUGHERTY New York Secretary	DANIEL STARCH New York Daniel Starch and Staff
HOWARD C. HOPSON New York Vice-President and Treasurer	O. E. WASSER Ithaca, N. Y. Comptroller and Assistant Secretary-Treasurer

FINANCIAL OFFICE . . . 61 Broadway, New York

PRINCIPAL OFFICE Ithaca, New York

MANAGERS—OPERATING PROPERTIES

THE UTILITY MANAGEMENT CORPORATION

120 WALL STREET, NEW YORK

ASSOCIATED GAS AND ELECTRIC COMPANY

ANNUAL REPORT

For the Year Ended December 31, 1932

THIS report covers one of the worst years in the history of American industry. General business activity dropped to 52% of normal. In spite of intensive efforts to secure new business and to retain the old, the Associated Gas and Electric Company suffered as a result of these conditions.

Subsidiaries of the Associated Gas and Electric Company serve 1,172,481 customers, and account for about 86% of operating revenues of the Associated Gas and Electric System. A discussion of the results of the operations of the Associated System, which include all operations of the Associated Gas and Electric Company, will be found on pages ten to twenty-two.

Comparison of Operating Results of Company and Subsidiaries

Only Since Dates of Acquisition

	Years ended December 31		Decrease	
	1932	1931	Amount	%
Gross Operating Revenues.....	\$84,826,456.86	\$90,575,228.32	\$5,748,771.46	6.35
Operating Expenses, Maintenance, etc.....	\$41,399,449.94	\$42,924,567.20	\$1,525,117.26	3.55
Taxes.....	6,491,966.55	5,882,409.00	609,557.55*	10.36*
Provision for Retirements.....	7,251,309.08	8,310,493.53	1,059,184.45	12.75
Total Operating Expenses, Taxes, etc.....	\$55,142,725.57	\$57,117,469.73	\$1,974,744.16	3.46
Net Operating Revenue.....	\$29,683,731.29	\$33,457,758.59	\$3,774,027.30	11.28
Other Income.....	3,038,904.13	6,284,895.36	3,245,991.23	51.65
Gross Income.....	\$32,722,635.42	\$39,742,653.95	\$7,020,018.53	17.66
Fixed Deductions from Income:				
Operating Companies.....	\$11,875,509.76	\$10,427,749.11	\$1,447,760.65*	13.88*
Group Companies, etc.....	4,062,501.88†	5,559,953.15†	1,497,451.27	26.93
Associated Gas and Electric Company.....	12,475,193.73	11,661,911.48	813,282.25*	6.97*
Total Fixed Deductions from Income.....	\$28,413,205.37	\$27,649,613.74	\$ 763,591.63*	2.76*
Balance.....	\$ 4,309,430.05	\$12,093,040.21	\$7,783,610.16	64.36

*Increase.

†Exclusive of that portion of charges ranking after fixed interest requirements of Associated Gas and Electric Company.

Consolidated operating revenues of the Company and subsidiaries in 1932 were \$84,826,457. After provision for retirements, net earnings available for fixed charges and other deductions were \$32,722,635. On the "over-all" basis, consolidated

earnings before provision for retirements were 1.40 times, and after such provision 1.15 times interest and dividends on preferred stocks of subsidiary companies and fixed interest requirements of Associated Gas and Electric Company (exclu-

sive of that portion of charges of subsidiary companies ranking after fixed interest requirements of the Company).

The Company has stopped paying cash dividends on the preference and preferred stocks because declining business made it vital to conserve cash. For a while, dividends on the preference stock were paid in scrip, but later they were suspended entirely.

Holders of convertible obligations were given the choice of having their securities converted into preferred stock or into new Convertible Obligations, Series A and B, which, prior to conversion, are senior to preferred stock, but junior to the debenture bonds paying fixed interest. Practically all holders naturally chose the new convertible obligations, as they were more desirable than the preferred stock into which the convertible obligations were convertible by their terms.

After this conversion occurred, however, business continued to decline, taxes to rise, and rate reductions to be insisted upon by compromise. Before the end of the year it was apparent that in the absence of some decided improvement, it would be necessary to suspend dividends on the preferred stock as well. Such suspension is now the fact.

Interest on the new Series A and B Convertible Obligations was fully earned in 1932, but the acute scarcity of cash caused by the closing of banks, the continued loss of business, and the slowness of collections, made it necessary in the early part of 1933 to pay this interest in scrip, and then to discontinue even these scrip payments.

Although the consolidated earnings have not failed during any twelve-months' period as yet to cover fixed interest requirements, they did fail by

\$645,522 to cover these requirements during the second quarter of 1933. In the corresponding quarter of 1932, there was a surplus of \$176,281, after fixed interest charges, making a decrease of \$821,803 for the 1933 quarter as compared with the 1932 quarter.

It is apparent from the foregoing that if the depression continues, the future of the Associated Gas and Electric Company depends almost wholly upon how it handles its available cash. The record of Associated financing in 1932 is the record of the Management's effort to make the best use of cash in meeting maturing obligations and paying interest and dividends.

PROGRESS IN MEETING MATURING OBLIGATIONS

Despite cash payments of interest and dividends, the Management was able successfully to reduce the \$43,729,081 of maturing obligations of the Associated Gas and Electric Company and subsidiary companies to \$3,026,238 as of October 26, 1933. The progress made in reducing these obligations is shown in the table below.

Part of the cash used in reducing these \$43,729,081 obligations was derived from the sale of 8% Eight Year Gold Bonds of Associated Gas and Electric Corporation, a wholly owned subsidiary of the Associated Gas and Electric Company. Additional cash was received from the sale of operating company mortgage bonds.

The sale of these 8% Eight Year Gold Bonds was one of the most remarkable achievements in the history of the building of the Associated System, and one of the most unusual examples of intensive selling by employees in the history of the public utility industry. The magnificent effort of the entire employee and managerial personnel of the Associated System in disposing of these bonds, at a time when the critical financial situa-

	<i>Obligations Maturing In</i>		
	1933	1933	1932-1933
	<i>Outstanding At Oct. 26, 1933</i>	<i>Outstanding At Dec. 31, 1932</i>	<i>Outstanding At Dec. 31, 1931</i>
Purchase money obligations.....	\$ —	\$ —	\$ 3,190,153
Notes payable and advances from financing company.....	2,377,238	5,790,500	9,343,928
Funded debt of operating companies.....	410,000	6,541,000	27,112,000
Other maturing obligations.....	239,000	690,000	4,083,000
	\$ 3,026,238	\$13,021,500	\$43,729,081

tion of the country made it almost impossible to sell bonds, protected the investments of thousands of Associated security holders, who hold securities junior to these 8% Eight Year Gold Bonds of the Associated Gas and Electric Corporation.

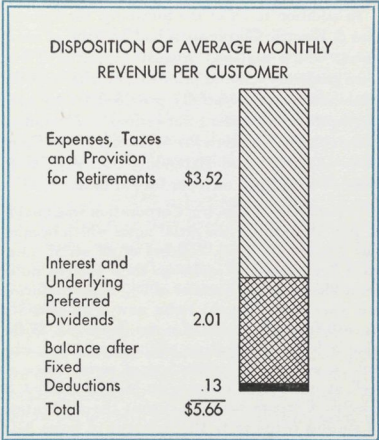
This accomplishment would have been impossible had the efforts of certain uninformed persons in urging legislation to stop such security selling by employees already been successful. These 8% Eight Year Gold Bonds have proved to be a sound investment, interest on them having been earned during the year 1932 more than 20 times after provision for retirements, but before Federal income taxes, on the customary "after-all" basis, and on the "over-all" basis 2.07 times, notwithstanding the depressed condition of the public utility industry during that year.

The issue of \$7,500,000 of 3% One Year Gold Notes of Staten Island Edison Corporation, which matured on June 15, 1932, was met by the issue of 6% Refunding and Improvement Mortgage Gold Bonds, due June 14, 1933. Holders of One Year Gold Notes were offered \$1,000 principal amount of the new issue and \$10 in cash for each \$1,000 principal amount of one-year notes. This plan of exchange, which was declared operative August 15, 1932, stipulated that \$2,250,000 of the new issue be retired within the life of the bonds. This requirement was met, and further retirements out of receipts from operations brought the total to be met on June 14, 1933, down to \$4,500,000.

These bonds were extended so that \$500,000 would become payable in three, six and nine months and the remaining \$3,000,000 in eleven and/or twelve months. The bonds extended for three months were paid September 14, 1933.

A Rochester Gas and Electric Corporation issue of \$10,000,000 in 3% Gold Notes matured on July 15, 1932. Part of this amount was retired prior to maturity, leaving \$9,070,000 to be met on July 15. A small part of these notes was paid with available cash, but by far the greater part was financed for a year by bank loans, in order to give time for permanent financing. This permanent financing took the form of an issue of \$8,478,000 principal amount of 5% General Mortgage Gold Bonds, due 1962. The proceeds from the sale of this issue were used in payment of the indebtedness to the banks.

In connection with this financing it was neces-



sary to place the common stock in a voting trust to be administered by four trustees. The trustees selected included three Rochester business men and the counsel for the Associated Gas and Electric Company, who was also a director of the Rochester Gas and Electric Corporation. These trustees elected a board of directors with a larger representation of Rochester men.

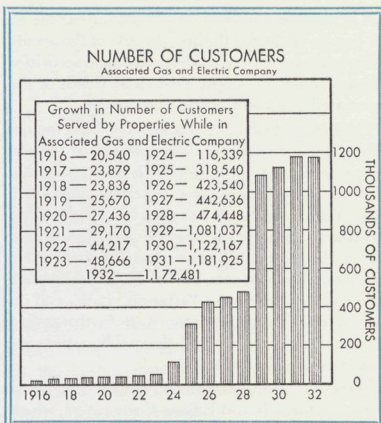
A maturity of Pennsylvania Electric Company unsecured notes due on August 1, 1932 was met largely through an issue of Convertible Gold Notes due in 1933 and 1935. These notes are convertible into First and Refunding Mortgage 5% Gold Bonds due in 1962, and a large part have been so converted. Of the notes due August 1, 1933, which were not converted, the majority were extended until July 1, 1934. The rest were paid in cash.

Financing during the year was aided by cash obtained through the sale of mortgage issues of New Jersey Power & Light Company, Metropolitan Edison Company, New York State Electric & Gas Corporation, and Pennsylvania Electric Company. These bonds were offered directly to Associated security holders on the basis of a \$10 first payment and monthly installments, and were also distributed through regular investment channels.

In addition to all of the foregoing, the General Gas & Electric Corporation had an issue of serial notes, which matured August 15, 1932. These were gradually reduced prior to maturity, and the remainder was successfully provided for by cash payments to the extent not retired as a result of exchanges for Northern Pennsylvania Power Company 5% First and Refunding Mortgage Gold Bonds due in 1962, on a par for par basis.

General Gas & Electric Corporation was unable to pay at maturity the serial notes which became due August 15, 1933. Holders of all serial notes have been asked to exchange their present notes for a like principal amount of 5% notes maturing one year later than the notes now held, plus \$10 in cash for each \$1,000 of notes deposited. If the plan is declared operative, affiliated interests, who hold a substantial proportion of serial notes as well as other debt obligations of General Gas & Electric Corporation, will permit the application of surplus earnings to the payment of notes held by the public.

If the present corporate structure remains unchanged, the following is a statement of maturities



of all funded indebtedness of the Associated Gas and Electric Company and its subsidiaries for the five years ending December 31, 1937.

MATURING FUNDED DEBT

Maturity	December 31, 1932			Reduction During 1933 to Sept. 30	Total Sept. 30, 1933
	Associated Gas and Electric Company	Subsidiary Companies	Total Dec. 31, 1932		
1933.....	\$ —	\$7,231,000	\$7,231,000	\$6,489,500	\$ 741,500
1934.....	—	2,199,000	2,199,000	2,955,500*	5,154,500
1935.....	—	1,981,500	1,981,500	554,000	1,427,500
1936.....	—	1,632,000	1,632,000	317,000*	1,949,000
1937.....	65,647	1,087,993	1,153,640	79,431	1,074,209

*Increase.

In addition to the need of cash for meeting maturing obligations, there is, of course, the need of cash to pay regular current fixed interest on the debentures of the Company. The situation is made more difficult by the fact that the banks continue to desire to be as nearly liquid as possible, and that they therefore refuse to make any loans except

renewals or extensions of existing loans. Moreover, there is practically no bond or security market, making it impossible to raise cash in that manner. These conditions do not seem likely to improve soon; neither is it likely that the public utility business will immediately improve materially nor that collections will come in more quickly.

Maturities to be met in 1933 are as follows:

	At Oct. 26, 1933
Notes payable of subsidiaries (being met by monthly and quarterly payments).....	\$1,930,638
Advances from financing company (being paid from collections on appliance accounts receivable)	446,600
Funded debt of subsidiaries:	
General Gas & Electric Corporation, 5% matured August 15 (see text above)	239,000
Staten Island Edison Corporation, 6% due December 14.....	410,000
	<u>\$3,026,238</u>

PLAN OF REARRANGEMENT OF DEBT CAPITALIZATION

In view of these difficult situations, the Associated Gas and Electric Company has submitted a plan of rearrangement of debt capitalization to its debenture holders, for the purpose of reducing fixed interest charges and substituting charges based on income.

The plan of rearrangement of capitalization, which is designed to protect debenture holders should conditions not improve, proposes to reduce fixed interest charges on the outstanding debentures of the Company by offering debenture holders three options:

THREE OPTIONS

Option 1 offers Fixed Interest Debentures of Associated Gas and Electric Corporation, the most conservative security, bearing the same rate of interest but with a 50% reduction in principal, with the opportunity of converting, during the period from June 15, 1935 to June 15, 1945, into Option 2, which restores the face amount of their security to its original figure.

Security holders who accept Option 1 have been extended the additional privilege of exchanging the new Associated Gas and Electric Corporation debentures, at any time after December 31, 1938, and before January 1, 1944, for Sinking Fund Income Debentures of Associated Gas and Electric Company (now offered under Option 3 of the Plan), of the same principal amount and initial rate of interest as debentures of the Associated Gas and Electric Company they now hold.

Option 2 offers an equal principal amount of Associated Gas and Electric Corporation Income Debentures (an improved position as compared with the present debentures) with a reduction in interest rate ranging from $\frac{1}{2}\%$ to 1%.

Option 3 offers Sinking Fund Income Debentures of Associated Gas and Electric Company of the same principal amount and interest rate as the deposited debentures, with a possibility of increased interest return in the future.

FAIRNESS OF THE PLAN

The Management believes that the Plan is eminently fair to all classes of security holders of the Company.

It extends to debenture holders three privileges

which they have not previously had, and acceptance of which is entirely voluntary.

Options 1 and 2 furnish debenture holders an opportunity to take for their debentures (which now sell at less than 20 cents on the dollar) something more secure. Under Option 2 they may take Income Debentures of the Company's immediate subsidiary (Associated Gas and Electric Corporation) with no change in principal and approximately a 20% reduction in income. Under Option 1 they may take fixed interest debentures of the same subsidiary with a substantial reduction in principal and income, but with a still better position and later convertible into Option 2 or Option 3.

Option 3 involves no reduction of interest or principal, while on the other hand it offers debenture holders a possibility of increased income. It assures payment of the same rate of interest as long as the interest is paid on the debentures now outstanding. When those debentures are retired, the holder is entitled to increased interest, all on a cumulative basis, as compensation for placing the interest on an income basis. Even before all the debentures are retired, he may receive additional interest.

IMPROVED POSITION OFFERED

No one need take a reduction in interest unless he wants an improved position. No one need take a reduction in principal unless he wants a still more improved position, and even this, at his option, need not be permanent. No one need take a reduction either in interest or in principal if he prefers to continue in his present position.

The interest savings under the Plan cannot go to stockholders. Available net income in excess of interest charges (as defined in the Escrow Agreement) to the extent of the net savings in interest charges, may be used only (except for expenses of the Plan) to retire debt securities of the Company and its immediate subsidiary, and to buy in underlying debt securities held by the public, thus improving the position of all debentures of the Company.

The stockholders will forego income to the extent necessary for the sinking fund provided under Option 3. Additional protection against the possible consequences of adverse conditions is their compensation.

NECESSITY OF THE PLAN

Public utility investments are endangered because utilities are harassed by serious reductions in income and increases in expenses which are both beyond their control. Taxes are increasing alarmingly and expenses for labor and materials are rising rapidly. In the face of these increased expenses, utilities are forced by regulatory commissions to make so-called emergency rate reductions. This situation is making it increasingly difficult for many utility companies to earn enough to meet their fixed interest requirements.

These uncontrollable increases in expenses and reductions in income during the present year will amount to more than \$5,000,000 in the case of the Associated System, it is estimated.

Congress shifted the Federal tax on electric output from consumers to the operating companies. It imposed a new tax on the value of capital stock of corporations, applying this retroactively to the

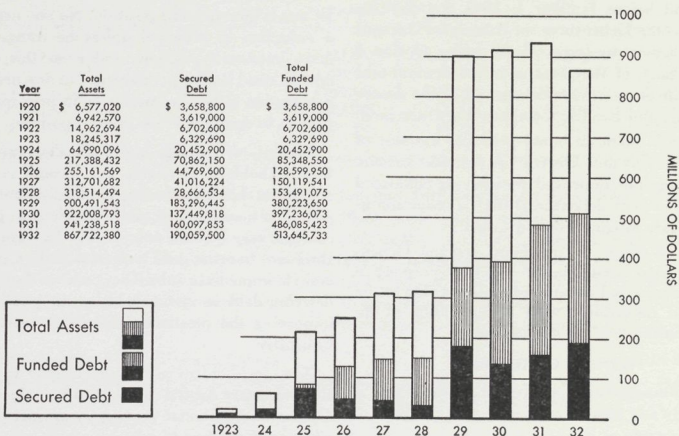
year ending June 30, 1933. These two new taxes will add approximately \$1,500,000 to the tax burden of the Associated System. Several municipalities, including the City of New York, where the Staten Island Edison Corporation operates, have imposed additional taxes on electric output.

Cooperation with the N.R.A. program involves substantial additional expense which the Public Service Commission of New York has shown reluctance to recognize in the determination of rates, as it is recognized in the determination of prices in other businesses. This expense involves not only the employment of additional labor and wage adjustments, but also a substantial increase in the cost of coal (a large item in the operation of public utilities) and other materials and supplies. It is estimated that increased expenses incident to the N.R.A. program will amount to as much as \$2,000,000 annually for the Associated System. The Associated System is glad to cooperate in the Administration's effort to stimulate business re-

ASSOCIATED GAS AND ELECTRIC COMPANY

and Subsidiary and Affiliated Companies

Comparison of Total Assets with Funded Debt and Mortgage and Secured Debt



covery, but destructive taxation and severe rate reductions make it increasingly difficult to do so.

It would seem only fair that utilities should be allowed to raise their rates to meet these increased costs, just as other businesses are allowed to raise their prices. Public Service Commissions have not generally recognized this; they have not allowed utilities even to maintain their present rates, but have insisted upon further rate reductions. Associated operating companies in New York State alone have had their rates reduced by \$1,125,000 this year. Other substantial reductions have been ordered in this State. Commissions and municipalities in other states where Associated companies operate are also demanding further reductions.

The Associated Gas and Electric Company showed a deficit after interest charges of nearly \$650,000 for the second quarter of 1933. In spite of increasing electric output, no month in 1933 has produced total revenues higher than those of the same month in 1932, previously the worst year in the history of the public utility industry. The most recent figures are equally discouraging.

Severe restrictions imposed by the National Securities Act have practically put an end to the distribution of even high-grade first mortgage bonds through the normal channels that have heretofore been used. It furnishes an obstacle to refinancing maturities and providing for new construction in addition to the lack of purchasing power among investors which has existed for several years. These two factors have made it necessary to refund maturities and provide for such construction as is absolutely necessary almost entirely out of current earnings of the operating companies.

October 30, 1933

Note: Further discussion of the various activities of the Associated System appears on the following pages, after which are financial statements of Associated Gas and Electric Company and Subsidiaries.

One further consideration is necessary to a realization of the seriousness of the situation. That is the offer of the Public Works Administration to loan money on behalf of the government to municipalities desiring to build or acquire their own electric light and power systems. This is already giving impetus to municipal power projects, and making more difficult the position of privately owned enterprises.

As insurance against the dangers of this situation, the Management believes that the Plan is necessary. It is the purpose of the Plan to put fixed interest charges of the Associated Gas and Electric Company largely on an income basis, so that in the event of temporary inability to meet full interest charges, defaults would not occur which might result in a receivership, with severe losses to Associated security holders.

By October 30, 1933, more than 31,000 holders of Associated Gas and Electric Company Fixed Interest Debentures had realized the danger of the situation, and had deposited their securities under the Plan of Rearrangement of Debt Capitalization. Ninety-eight per cent of the exchanges have been for debentures of the Associated Gas and Electric Corporation, which are in a much more secure position. Most popular with debenture holders is Option 1 of the Plan, the most conservative option.

Other debenture holders are urged to deposit their debentures immediately for the protection of their own interests.

Respectfully submitted,
FOR THE BOARD OF DIRECTORS,
J. I. MANGE,
President

ASSOCIATED GAS AND ELECTRIC SYSTEM

OPERATIONS AND PROGRESS

For the Year Ended December 31, 1932

IN 1932, for the first time in a decade, the sales of electric units (kwh.) were less than in the previous year. Accordingly, the problem of the Associated System was to retain what business it had, as much as to gain new business. The success of the Associated System in meeting this problem is indicated in the succeeding pages, and the more salient points are summarized immediately below. Beginning in the latter part of April 1933, electric output began to exceed that of comparable periods in 1932, and thus far has remained higher than a year ago. This increase in electric output does not mean a corresponding improvement in earnings, because the bulk of the increase comes from industrial users who pay the lowest rate of any class of customers. Gas output has continued generally below 1932.

1. Gross operating revenues exclusive of other income for the year 1932 declined 7% below 1931. Operating expenses and maintenance were reduced 5%, but taxes increased \$922,970 or 13%. Net operating income was \$34,930,026, a decrease of 11% from 1931.

2. Total electric revenue during the year was 5% lower than in 1931, and other operating revenues were 12% lower. The decrease in electric revenue would have been larger had not domestic customers, who account for 37% of electric revenue, increased their average annual use 4.1%.

3. Sale of appliances and equipment by operating companies and dealers resulted in additional

gas and electric business which it is estimated will produce annual revenue of \$5,672,894. This new business helped to offset losses.

4. Customers served declined 20,484 to a total of 1,417,169. There was a net gain of 1,021 electric customers and a net loss of 21,505 gas, water, and steam customers.

5. Registered security holders increased 17,669 to a total of 254,784. Of this increase, 14,070 were new customer-investors. Customer-investors totalled 119,105 at the end of the year.

6. Expenditures for new construction and improvement of facilities amounted to \$4,600,000.

Note—Pages 10 to 22 of this report deal with the Associated Gas and Electric System; which includes the Associated Gas and Electric Company and the New England Gas and Electric Association. Pages 1 to 9 and 22 to 48 deal with Associated Gas and Electric Company, having operating revenues which are 86% of those of the System.

SUMMARY OF OPERATIONS

Results of operating activities of companies comprising the Associated Gas and Electric System during 1932 are as follows:

Total customers.....	1,417,169	
Decrease in customers.....	20,484	1.4%
Per cent decrease.....		
Gross operating revenues.....	\$98,256,475	
Per cent decrease.....		6.7%
Operating income.....	\$34,930,026	
Per cent decrease.....		10.7%
Total electric output—units (kwh.) net.....	2,995,667,920	
Per cent decrease.....		7.1%
Total gas sendout (m.c.f.).....	16,985,430	
Per cent decrease.....		4.4%
Units (kwh.) sold per residential customer.....	488	
Per cent increase.....		4.1%
Gas sales (cu. ft.) per residential customer.....	29,400	
Per cent decrease.....		3.0%
Approximate annual revenue obtained by New Business Department.....	\$ 5,672,894	
Per cent decrease.....		2.8%

EARNINGS

The comparative earnings statement of the entire System for the latest period available, the twelve months ended August 31, 1933 and 1932 (in the condensed form in which it is published each month) is given below:

	1933	1932	Decrease	
			Amount	%
Electric.....	\$ 72,594,625	\$ 75,810,627	\$ 3,216,002	4
Gas.....	15,736,509	17,033,154	1,296,645	8
Ice.....	2,233,880	3,221,962	988,082	31
Transportation.....	1,524,655	1,868,715	344,060	18
Heating.....	1,435,348	1,517,048	81,700	5
Water.....	1,228,606	1,271,879	43,273	3
Total Gross Operating Revenues.....	\$ 94,753,623	\$100,723,385	\$ 5,969,762	6
Operating Expenses, Maintenance, Etc.....	\$ 45,869,344	\$ 47,933,893	\$ 2,069,549	4
Taxes.....	8,844,804	8,421,895	422,909*	5*
Total Operating Expenses, Taxes, Etc.....	\$ 54,714,148	\$ 56,360,788	\$ 1,646,640	3
Net Operating Revenue.....	\$ 40,039,475	\$ 44,362,597	\$ 4,323,122	10
Provision for Retirements (Depreciation).....	7,918,238	9,851,673	1,933,435	20
Operating Income.....	\$ 32,121,237	\$ 34,510,924	\$ 2,389,687	7

*Increase.

RECORD OF OPERATIONS

Gross operating revenues in 1932 were 7% lower than in 1931. Operating expenses and maintenance were reduced by \$2,507,532, but this saving was offset to some extent by an increase of \$922,970, or 13%, in taxes. Operating income after provision for retirements was \$34,930,026, or 11% below 1931.

It is significant that 1932 was the first year in a decade in which the sales of electric units (kwh.) were smaller than in the previous year. This loss is accounted for principally by the continued decline in use by commercial and industrial customers. Moreover, many residential customers with greatly reduced incomes have found it

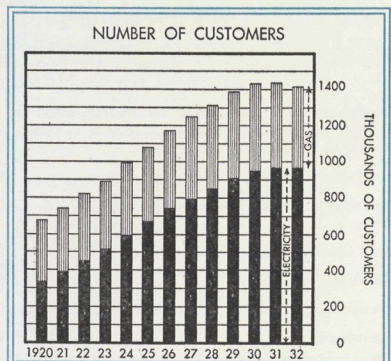
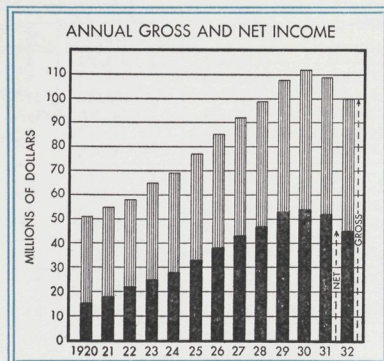
necessary to give up their own establishments and move in with relatives or friends. In many cases they have retained their service connections on the premises they occupied formerly, so that they will probably become actual consumers again just as soon as there is any upturn in business. However, these voluntary interruptions and involuntary discontinuances of service by customers unable to pay their bills, represent actual loss of revenue to the Associated System.

The record of operations since 1922 may be seen in the following table, which includes all properties, irrespective of the dates when they were first included in the Associated System:

For Years Ended December 31	Gross Revenues*	Net Income†	Sales Units (kwh.)	Number of Customers	
				Electric	Gas, Water, Steam
1922.....	\$58,339,202	\$22,049,555	1,146,905,484	447,497	371,449
1923.....	65,664,884	25,853,705	1,352,654,306	515,869	382,262
1924.....	69,794,738	28,448,349	1,405,677,796	595,745	400,187
1925.....	77,175,669	33,983,624	1,583,191,145	668,809	416,735
1926.....	85,798,189	38,516,087	1,858,826,215	740,879	435,998
1927.....	92,550,778	43,028,164	1,925,507,892	795,762	451,873
1928.....	99,072,146	47,275,200	2,092,135,929	846,461	464,035
1929.....	108,496,804	53,037,214	2,466,441,783	907,376	480,047
1930.....	112,147,615	54,665,372	2,520,768,793	950,032	480,649
1931.....	109,503,185	52,966,079	2,720,842,436	971,375	466,278
1932.....	100,173,910	45,360,124	2,493,578,126	972,396	444,773

*Including Non-operating Revenues.

†Before Provision for Retirements and Federal Income Taxes.



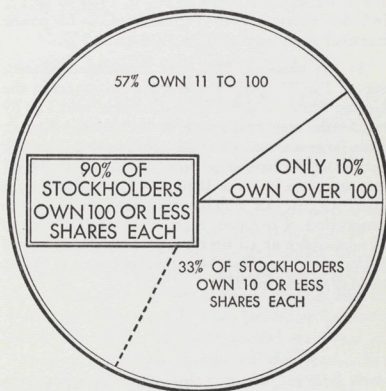
254,784 REGISTERED SECURITY HOLDERS

Registered security holders numbered 254,784 at the end of the year, a gain of 17,669 or 7.5%. Registered security holders are found in every state of the United States and 29 other countries and their dependencies. Among the states, New York leads with 93,042 security holders, followed by Pennsylvania, 51,784; Massachusetts, 15,832. There are 7,445 registered security holders in Holland, more than in any other country overseas.

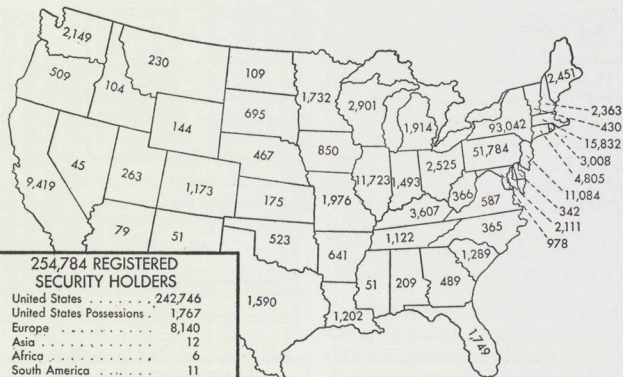
The number of women security holders is 107,149, or 42% of the total of 254,784. There was a gain during the year of 1,835 in investors falling within the class of trust institutions, including banks, trust companies, insurance companies, investment funds, and churches. The total of such investors is now 9,067.

About 90% of the holders of Class A stock hold 100 shares or less, indicating wide distribution among small investors. This makes it necessary that the Management be especially zealous in looking after and safeguarding the interests of such investors, who would find it unprofitable by reason of their small holdings to ascertain the facts themselves. It is for the benefit of these holders

that the Management has regularly followed the policy of wide publicity of its affairs by letters to all security holders, by publication of the Associated Magazine, and by sending to investors other information concerning facts about the Company which affect their investments.



ASSOCIATED GAS AND ELECTRIC SYSTEM 254,784 REGISTERED SECURITY HOLDERS



SOURCES OF REVENUE

The Associated System derives 75.6% of its operating revenues from electricity and 17% from gas, or a total of 92.6% of its total operating revenue from these two desirable types of service.

The percentage of revenue from residential electric use has grown from 24.8% in 1930 to 28.1% in 1932. Percentage of revenue from use for power has decreased from 28% in 1930 to 20.7%.

At the close of 1932, the Associated System served 1 in 25 residential electric customers in the United States and Philippine Islands, and 1 in 39 residential gas customers in the United States. This large amount of residential service is partly accounted for by the fact that the Associated System operates in more than 4,000 communities, a great majority of which are of small size. A large proportion of revenues from residential service is of advantage at all times, especially during years of depressed business, because it is the most stable class of utility revenue.

SOURCES OF REVENUE

Electricity:

Residential	28.1%
Commercial	15.0
Power	20.7
Other	11.8
Total Electricity	75.6
Gas	17.0
Total Elec. and Gas	92.6
Other	7.4
Total	100.0%



26,000 CUSTOMERS INVEST \$9,415,400

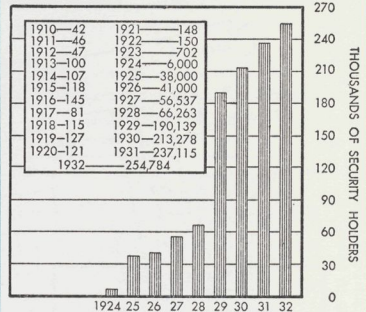
A total of 26,128 customers of the Associated System invested \$9,415,400 in Associated securities during 1932.

New customer-investors were 14,070, compared to 13,856 in 1931. This number brings the total number of customers holding Associated securities to 119,105. These customers have invested a total of \$120,370,757. The proportion of customers becoming investors in the System is steadily increasing, the ratio of customer-investors to customers being 1 to 12, compared to 1 to 15 in 1930. The number of customer-investors is 47% of the total of 254,784 registered security holders.

The total of customer-investors has increased from 38,694 in 1928 to 119,105, showing how this activity has grown even during a period of depression.

These 14,070 new customer-investors represent approximately 80% of the 17,669 added to the total of Associated security holders in 1932. This fact indicates the confidence which persons residing in areas served by the Associated System have in Associated companies, and reflects satisfactory

NUMBER OF SECURITY HOLDERS



public relations. It also indicates the loyal co-operation of Associated employees, whose help in distributing securities proved so valuable during 1932 with its difficult financial problems.

\$4,600,000 FOR CONSTRUCTION

The amount of new construction for 1932 and the two preceding years is of interest:

1930.....	\$32,000,000
1931.....	13,000,000
1932.....	4,600,000

Because of the nature of the service rendered, it

is not possible for public utilities to suspend all new construction when the financing of property additions becomes difficult. Extensions required by public convenience and necessity cannot be postponed. However, capital expenditures are being kept at the minimum required to furnish adequate service.

NEW BUSINESS DEPARTMENT ADDS \$5,672,894 REVENUE

The New Business Department during 1932 reported an estimated annual revenue of \$5,672,894 from additional gas and electric business resulting from the sale of appliances and equipment by the operating companies and by dealers. This new business offset in part other losses caused by existing economic conditions. The new revenue was distributed as follows:

Electric Revenue

Domestic Appliance Sales, Residential Lighting, and New Customers.....	\$2,079,327
Power Sales and Industrial Lighting.....	1,229,238
Commercial and Street Lighting.....	1,508,976
Total Electric Revenue added.....	<u>\$4,617,541</u>

Gas Revenue

Domestic Appliance Sales and New Customers. \$	294,967
Industrial.....	468,133
House Heating.....	123,265
Commercial.....	168,988
Total Gas Revenue added.....	<u>\$1,055,353</u>
Total Electric and Gas Revenue added...	<u>\$5,672,894</u>

181 NEW INDUSTRIES

During the year, 181 new industrial enterprises located in Associated communities, largely through the efforts of community organization activities in cooperation with the industrial departments of the operating companies of the System. These new concerns provided employment for approximately 6,000 people, which contributed materially toward relieving unemployment in these areas.

Nearly 200 existing industrial customers in the System expanded operations through additional employment and production facilities.

The activities of the Industrial Development Division during 1932 included considerable effort and research in connection with the retention and continuance of operations of industrial customers now served.

ELECTRIC POWER AND HEATING

In the face of severe competition for existing industrial power business, the use of electric power and heating service was extended to new and existing customers to the amount of more than \$1,000,000 a year. This new business helped materially to compensate for the reduction in industrial power revenues brought about through the general curtailment in manufacturing activity. As a result of the efforts of the Industrial Electric Power and Heating Divisions to inform industrial customers of the engineering and economic advantages of purchased power and the business hazards of capital investments in private power plants, but few power customers were lost during the year.

Continued progress was made during 1932 in securing power, lighting, and cooking loads among State and Federal institutions. Particularly gratifying has been the progress made in inducing these institutions to adopt either gas or electricity for cooking in place of other fuels.

Industries today are more than ever interested in improving the quality of their products. Automatically controlled heat supplied for process work in small quantities and at required temperatures is possible through the use of small electric heating units and devices. The total industrial market for these units in the Associated System is conservatively estimated at more than 100,000 kilowatts. The results on this activity during 1932 have been gratifying, and it is expected that this market will be more intensively cultivated in 1933.

AIR CONDITIONING

By means of exhibits and promotional work among architects and building contractors, an effort was started to create interest in this new method of controlling indoor air conditions. Sales

activities were devoted almost entirely to promoting among commercial customers the use of air conditioning equipment as a source of increased profits.

COMMERCIAL AND STREET LIGHTING

The new commercial and street lighting business added in 1932 closely approached that obtained in 1931. Efforts to induce commercial customers to modernize their establishments resulted in many new and rehabilitated lighting installations as well as the sale of many gas and electric appliances. The tendency of commercial customers to curtail the use of lighting was overcome in many instances through visual demonstrations of the benefits derived from proper lighting.

The pressure to reduce municipal budgets was reflected in an increasing number of requests during the year by municipalities to reduce their expenditures for street lighting. Efforts of the New Business Department to sell the economic value of street lighting for safety and protection, combined with a willingness to meet the pressure on the municipal authorities for reductions in their budgets, resulted in many new contracts of the type designed to encourage the use of additional street lighting service. Not only were the efforts to retain existing revenues largely successful, but approximately \$75,000 of additional street lighting business was secured.

PROMOTION OF GAS BUSINESS

Through vigorous promotional activities and more intensive servicing of customers' appliances, but little gas business was lost to competitive fuels. In some instances, rate structures have been revised to meet this situation more effectively.

Through active measures to increase the use of gas by commercial customers, it was possible to obtain during 1932 additional commercial loads.

During the year there was a net gain of 805 gas house heating customers. While much of this gain was due to the introduction of natural gas on several of the properties, the manufactured gas properties also showed substantial gains.

New industrial gas business estimated to bring in an annual revenue of \$468,000 was obtained in 1932, a material increase over the results of 1931. This new business helped to offset losses. Here

again, natural gas constituted a large part of the new business, although practically all of the groups of the System showed increases in industrial new business secured in 1932 over the amount secured in 1931.

STEAM AND ICE SALES

Increases in steam heating business seem to depend largely upon new building construction, since the saving in investment, which the purchase of steam from an outside source makes possible, is often the determining factor in securing this business. In spite of the lack of new building construction, a considerable amount of new steam business has been obtained which has helped to counterbalance the loss due to general business conditions.

The marked reduction in car-icing requirements adversely affected the sales of ice during the year. To meet this condition, intensive training schools were conducted for the ice salesmen and delivery men. Encouraging results followed this activity.

DOMESTIC SERVICE

Continued promotional efforts resulted in new business from domestic gas and electric customers of approximately \$2,300,000 a year, including the new revenues reported as the result of the sale of appliances and equipment by other dealer outlets. Here again, this new business partly offset losses elsewhere. The gain in domestic load was particularly important, inasmuch as it was obtained almost entirely on existing lines and mains, thus requiring little new capital to serve it.

In addition to promoting the sale of load-building appliances such as electric and gas refrigerators, ranges, automatic water heaters, and gas house heating equipment, the Domestic Division has devoted part of its efforts to the promotion of home lighting programs in an effort to retain and build up the domestic electric load. Many successful appliance campaigns have been conducted in cooperation with the appliance dealers.

During the year, 19,027 domestic electric and 2,355 domestic gas customers were obtained mainly through the wiring and piping of old and new houses on existing lines and mains, although there was a net loss for the year in residential customers. These new customers assisted materially in counteracting the loss in revenue through discontinuances of service.

DEALER COOPERATION

During the year, the Associated System continued its policy of cooperating with appliance dealers in the sale of gas and electric devices. Surveys made on several of the operating properties indicated that dealer sales represented approximately 90% of the total volume of electric appliance sales in those areas.

EMPLOYEE BUSINESS BUILDING PLAN PRODUCES \$812,621 OF NEW REVENUE

The Employee Business Building Plan is one of the Associated System's solutions to the problem of counteracting declines in its earnings and maintaining the quality of its service during these difficult times.

During 12 months from August 1932 through July 1933, while the Employee Business Building Plan has been in operation, cooperating employees have found 144,859 customers who were prospects for increased use of services. These customers, through the System and through dealers, have bought \$2,808,932 of electric and gas appliances. It is estimated that the annual revenue to the System from the use of these appliances will be \$812,621.

Participation by employees in the Business Building Plan is voluntary, because work is done during their free time. The following benefits accrue from the operation of the Plan:

Customers are helped to overcome costly, inefficient, and obsolete methods of cooking, water

heating, refrigeration, and lighting. They are also assured of better service because of the special interest taken in them by the employees who call on them.

The Company receives additional revenues from the sale of electricity and gas used by new appliances bought by customers. The friendly employee contacts help greatly to keep customers appreciative of the value of gas and electric service. The Plan results in more efficient employees who have an improved knowledge of the company's business. This contributes to better public relations.

Local appliance dealers profit from sales of appliances to prospects whose names were secured by Associated employees and turned over to them. The Plan also helps create a market for future sales by dealers.

The employees benefit by receiving thorough training in the utility business, and are thus able to understand better the importance of their own jobs. Each employee's individual efforts contribute toward making more permanent the jobs of all the employees. Moreover, this employee prospecting plan offers a means of developing latent talents which might never find expression in the employees' particular jobs.

Alertness and cooperation displayed by employees in the Business Building Plan have proved valuable to the Associated System in promoting its business during uncertain times and in giving maximum service to its customers.

RATES CONTINUE DECLINE

During the year rates continued to decline, particularly rates for residential electric service. This was due to some extent to rate revisions made, but to a large extent to the fact that customers continued to take advantage of the inducement rates which become progressively lower as customers increase the use of their service.

During the year, the average residential electric rate declined 3.9%, while the average annual use per residential customer increased 4.1%. Since 1928, the average rate paid by residential customers has been reduced 15%, while the average use per customer has increased approximately 29%. The inducement forms of rates which were

introduced in the Associated properties have made it possible for the companies to pursue active promotional work, with a resulting increased use per customer.

Many have asked recently why the rates charged for electric service should not be radically reduced in view of the decline in commodity prices such as food, clothing, and other similar items which are daily expenditures in the cost of living. The relation between commodity prices and the prices which utilities charge for their electric and gas services is an indirect relationship. This is borne out by the fact that despite the decline in commodity prices which has taken place in recent times, these prices are still higher than they

were in 1913, while domestic electric rates are 36% lower.

The volume of business done by a utility is an important factor, and during these times the volume has been decreasing. Also a large proportion of the total utility expense in rendering electric and gas service is covered by items of fixed charges; that is, the interest on the money invested in facilities necessary in rendering service. The investment necessary to render service to customers is substantial, and the interest on the money borrowed

constitutes the largest single item of expense which a utility has. These expenses go on whether ordinary commodity prices fluctuate up or down. Electricity as it is offered to the ordinary household is largely a service rather than a commodity.

Taxes constitute another large and important item in the expense incurred by a utility in doing business, and these have not been decreased. The Associated System in 1932 paid or accrued \$8,289,502 for taxes alone, which was 13% more than in the previous year.

ASSOCIATED PROPERTIES JOIN UNDER NRA

All properties of the Associated System have pledged their support to President Roosevelt and the national recovery administration by conforming to the codes for the electric light and power and gas industries in accordance with General Johnson's program under the NRA.

Although many other industries find an offset to their increased costs under NRA in increased prices for the commodities they sell, unfortunately there is little prospect that the utility companies can look for increases in electric and gas rates at this time.

UTILITIES EMPLOYEES SECURITIES COMPANY COMPLETES SUCCESSFUL FIRST YEAR

A successful first year has been completed by Utilities Employees Securities Company. As of August 31, 1933, the Company had invested \$3,146,409.84 in Associated securities representing a principal amount of \$6,192,610. There was a surplus balance of \$95,230.86 on that date, and the reserve for guaranty fund had a balance of \$313,346.89.

The Welfare Plan, as the plan of saving and investing is called, carries substantial benefits to Associated employees. Instituted in the fall of 1931, the Plan's essential points are as follows:

Ten per cent of the employee's pay is invested in Income Bonds due 1981 of Utilities Employees Securities Company.

For every dollar invested by an employee, 33 $\frac{1}{3}$ cents is paid to a guaranty fund. These payments increase the safety of the Income Bonds as an investment.

All money received from these two sources is invested in bonds and debentures of the Associated Gas and Electric System and of such other public utility companies or related enterprises as may seem to be desirable investments.

So long as the purchaser of Income Bonds remains in the employ of companies in the Associated System, he receives interest of 6% on the face amount of his bonds, and an additional 2%, making a total of 8% annually.

The net income, or difference between the 8% paid employees and the amount received by the Company on its investments, is being transferred to surplus or reserve for guaranty fund (after providing for necessary expenses of running the Company). It is being retained to insure payment of the additional 2% interest to employees, and to increase the equity behind the Income Bonds.

Benefits to employees of such a system of savings and investment, among others, are three:

1. *Liberal Yield on Investment.* Yield of 8% on Income Bonds is more than twice the usual interest paid by savings banks.
2. *Periodic Saving.* The plan of investment is essentially one of periodic saving. Commitment of the employee to invest at least 10% of his salary makes the saving a systematic one.
3. *Employee's Interest in His Company.* As a result of buying Associated securities at depreciated prices, the Welfare Plan enables employees to

accumulate a large interest in the Associated System. Because of this larger interest, which mere employment does not give them, they are inevitably better employees.

Funds of Utilities Employees Securities Company are kept separate from any Associated funds; they can be used only for investment as described, and cannot be used for operating, financial, or any other purposes of the Associated System.

Utilities Employees Securities Company has deposited all of its holdings in Associated Gas and Electric Company debentures under Option 1 of the latter company's Plan of Rearrangement of Debt Capitalization, receiving in exchange fixed interest debentures of the Associated Gas and Electric Corporation of one half the principal amount of debentures deposited, thus securing

a more favorable position in a situation in which earnings are amply covering interest requirements.

Plans are being developed to give employees a more direct interest in the conduct of affairs of the Utilities Employees Securities Company by having them elect five employee representatives to the board of directors.

In order to make this plan effective, it has been taken up with the voting trustees in whose name the stock of Utilities Employees Securities Company is lodged. A voting trust for the stock of Utilities Employees Securities Company was instituted for the purpose of securing the permanency of the present management. The voting trust is a legal method of insuring permanency of management regardless of any change in stock control, and the majority of the trustees are members of the board of directors as at present constituted.

13,000 ASSOCIATED EMPLOYEES PROTECTED BY INSURANCE

The Associated Employees Insurance Plan went into effect in final form in June 1932, after having been operated on a preliminary basis since August 1930. Under this plan 13,000 employees are insured for a total of \$51,800,000. Since the plan first went into effect, \$998,000 in death and disability claims has been paid. Much the greater portion of the payments represents assistance which the families of deceased or disabled employees would otherwise have lacked entirely. Such a lack of insurance would have been an especial hardship to these families during present times; it would probably have made it necessary for fellow workers of the deceased or permanently disabled employee to assist the latter's family by contributions, although these other employees may also be suffering from the effects of the depression.

The Employees Insurance plan was completed after four years of organization work. It has two salient features:

1. *Ordinary Life Insurance.* The individual, ordinary life policy is the backbone of the Associated plan. Each employee, accordingly, receives an individual, permanent, ordinary life insurance policy equal approximately to his annual earnings. No matter whether an employee remains with the Associated System or not, his ordinary life insurance policy continues in force so long as

the premium is paid. Moreover, if he leaves the employ of the System, and pays the premium for a year, he has the right to a cash surrender value, a loan value, or to paid-up or extended insurance. There is \$24,610,000 of this ordinary life insurance in force. This is said to constitute the largest wholesale underwriting of ordinary life insurance ever accomplished in a single attempt.

Part of the cost is borne by the employing companies. Cost of meeting the premiums is made less burdensome to employees by regular deductions from their wages. The Associated plan is different from the ordinary salary savings insurance plan, however, in that employees up to 55 years of age receive this protection without submitting to any form of physical examination except in one or two states which require it.

2. *Group Insurance.* Under the Associated Plan, the employee also receives a certificate of participation in a group policy for approximately the same amount for which he is insured with ordinary life insurance. Thus, an employee is insured for a sum equal to approximately twice his annual pay. Since group insurance coverage is for the group, it stops automatically for any individual who ceases to be an employee. However, without examination, he can convert this group insurance into ordinary life insurance by paying the regular

premium for his age at the time he ceases to be employed.

Subscription to this Plan was voluntary. Its success depended upon participation by a large percentage of employees. Insurance representatives doubted that 75% would participate. More than 90% subscribed. The plan is underwritten by four of the largest and strongest life insurance companies in the world.

To administer the plan, the Employees Welfare Association, Inc., was formed. The Association acts as a clearing house for matters of service to

insured employees, including payment of group death and disability claims, changes in beneficiaries, and form of settlement, protection against unwarranted loss and cancellation of insurance, and numerous other matters.

The cost of this plan to the Associated System has already been paid many times over in the improved employee relations and better employee morale. It adds to an employee's efficiency and sense of security to realize that in event of death or disability, his insurance will provide for his family.

REDUCTION OF MINORITY INTEREST

The operating companies of the Associated System are controlled in nearly every instance by 100% ownership of common stock. The relatively small amount of common stocks of subsidiaries of Associated Gas and Electric Company held by the public at December 31, 1932, shown on page 44 of this report, has been reduced considerably since that date.

Of the common shares shown as outstanding on page 44, practically all of them have been acquired or otherwise retired except the stock of Rochester Central Power Corporation, which represents only a negligible amount of the total common stock of that company and the stocks of American Utilities Company and Southern Ice and Utilities Company, which are in process of reorganization.

\$8,289,502 TAXES

Taxes paid or accrued by the Associated System in 1932 amounted to \$8,289,502, an *increase of 13%* over the \$7,366,532 for 1931. At the same time the System's gross operating revenues *decreased 7%*.

The increasing disproportion between taxes and incomes is everywhere apparent. Since 1929, the average man's taxes in relation to his income have more than doubled. The annual cost of running Federal, state, and local governments is now about 14 billion dollars. The estimated national income is only about 40 billion dollars.

This tendency for taxes to increase faster than incomes has been apparent in the electric light and power industry, where taxes have increased twice as fast as revenues during the past two decades. Taxes on electric light and power companies in 1932 took 11.8% of gross operating revenues.

The increasing weight of taxation holds the following dangers for utility investors, customers, and employees.

1. *Investments Impaired.* Increased taxes generally fall first on the investor, because they have to

be paid by utility companies directly out of earnings. This has lowered the credit standing of the utilities. Fear of increased taxes has contributed to the tremendous decline in the market value of interest-bearing utility securities.

2. *Employment Reduced.* Excessive taxes reduce employment. Industry is a producer of jobs. When industry is overburdened with taxes, earnings are reduced, pay envelopes are reduced, employment is reduced.

3. *Rates Increased.* Excessively high taxes also absorb savings and economies which could have been passed along to customers in lower rates. The electric utilities of the country have had a remarkable record in offering their services at constantly lower prices. Since 1913, the average residential electric rate in the country has declined 36%; whereas the cost of living shows a net increase of 32%, and the cost of government has increased about 380%. This record of constantly declining rates cannot be continued if taxes continue to increase.

If the \$8,289,502 tax on the Associated System could have been passed along to customers in-

stead of to governing bodies, it would have been sufficient to supply free electric service for a year to nearly a quarter million residential customers.

Of course, the Associated System and other utilities expect to pay their share of necessary governmental expenditures. Such a present ex-

penditure, although an unusual one, is unemployment relief. But other government expenses are so heavy that it is becoming impossible for business to bear them longer. It is vital that all governmental activities which are not absolutely necessary be eliminated.

ELECTRIC LIGHT AND POWER COMPANIES

<i>Year</i>	<i>Operating Revenues</i>	<i>Taxes</i>	<i>Taxes Are % of Revenues</i>	<i>Average Rate Residential Electricity</i>
1912.....	\$ 250,000,000	\$ 13,100,000	5.2%	8.9 cents
1917.....	435,000,000	29,900,000	6.9	7.5
1922.....	871,000,000	73,100,000	8.4	7.4
1926.....	1,517,000,000	140,400,000	9.3	7.0
1927.....	1,666,000,000	157,000,000	9.4	6.8
1928.....	1,797,000,000	178,000,000	9.9	6.6
1929.....	1,932,000,000	187,500,000	9.7	6.3
1930.....	2,009,000,000	203,500,000	10.1	6.0
1931.....	1,994,000,000	210,000,000	10.5	5.8
1932.....	1,835,000,000	217,000,000	11.8	5.6

AUDITING

The practice of the Associated Gas and Electric Company and its subsidiaries with respect to regular examinations by independent auditors of established reputation has been for some time a matter of public record. The accounts of the parent company have been examined annually by Messrs. Haskins & Sells since 1910.

Since 1930, all operating companies in the Associated Gas and Electric System have also been examined by independent certified public accountants, the management feeling that in times of

economic stress its security holders would feel better satisfied to have independent check on the accuracy of the accounts.

Accordingly, the accounts of the Company and those of the constituent companies for the year ended December 31, 1932, were examined by Messrs. Haskins & Sells, Certified Public Accountants, except the Manila companies which were examined by other certified public accountants.

A copy of the report of Messrs. Haskins & Sells will be found on pages 24 to 35.

FEDERAL TRADE COMMISSION INVESTIGATION

Affairs of the Associated Gas and Electric Company were investigated during the year by the Federal Trade Commission in Washington. This investigation is one of a series of hearings which covers the entire public utility industry. It was ordered in 1928 by the United States Senate for the purpose of securing material on which to base legislation.

Newspaper accounts of the investigation were often unfavorable to the public utility companies,

but the record of the hearings also contains many favorable comments.

Appreciation of the cooperation given by the Associated Gas and Electric Company in the hearing was expressed by Robert E. Healy, the Commission's chief counsel, and Commissioner Edgar A. McCulloch. Their statements, which are found on page 24,466 of the transcript of evidence, read:

Mr. Healy: "I think it appropriate for me to say at this time, at least, I desire to say on behalf of

myself and Dr. Walker, the chief economist, and also on behalf of the Commission, that we appreciate the cooperation which we have had from the Associated Gas and Electric Company in our work and in Mr. Nodder's work of preparing and presenting this report for the record.

"I am moved to say that the Company has not refused us any information which the representatives of the Commission deemed material and pertinent under the resolution and statute that we work under."

Commissioner McCulloch: "It is very appropriate that that acknowledgment should be made on the record."

The report on the Pennsylvania Electric Company group of properties of the Associated Gas and Electric System by Judson C. Dickerman, engineer examiner of the Federal Trade Commission, contained many complimentary remarks.

With reference to the activity of The Utility Management Corporation, the examiner's statement was:

"This examiner wishes to bear witness that his observances of the staffs, properties and operations under the direction of The Utility Management Corporation led to the opinion that pains-

taking skill was continuously exerted to keep the property in good operating condition and to operate at the lowest possible expense, yet keep the employees apparently cheerful and cooperative in their work and maintain a quality of service which would encourage increased use thereof."

Speaking of the engineering organization of W. S. Barstow & Company the examiner stated, "After observing many specimens of the structures built and equipments installed under the direction of this organization, coupled with the evidences of cost both of construction and operation and having met several of the responsible engineers of the Company, the examiner believes that an alert, efficient, and economical technical group is here functioning."

In regard to the purchasing organization he stated, "The mere fact that this organization buys for what had been some twenty-six independent groups of buyers with various preferences and all formerly requiring individual sales attention by the manufacturers has resulted in decreased costs with resulting lower price, quantity discounts, etc."

He also stated, "The examiner considers that direct operations are conducted economically and with the intent of providing a good and reliable service".

Associated Gas and Electric Company

and Subsidiary Companies

COMMENTS ON COMPARATIVE CONSOLIDATED BALANCE SHEET

Fixed Capital—The reduction of approximately \$63,000,000 during the year was due principally to the fact that intangibles were written down in consolidation, in recognition of the continuing decline in price levels. New construction was kept at the lowest point consistent with good service.

Capital Stock and Surplus of Associated Gas and Electric Company—The decline of approximately \$82,000,000 was caused chiefly by the write-down of intangibles in consolidation mentioned above and the increase of \$18,000,000 in the Reserve for Contingencies.

Stocks, and Applicable Surplus, the Majority of which are of equal rank with Stocks of Associated Gas and Electric Company—Holders of preferred stocks of General Gas & Electric Corporation and

Eastern Utilities Investing Corporation were given the opportunity of exchanging their holdings for Convertible Obligations of Associated Gas and Electric Company. The offers were accepted by a large number of holders. These exchanges, together with reductions in surplus applicable to Class A and Class B common stocks of General Gas & Electric Corporation were largely responsible for the reduction of approximately \$26,000,000 in this item.

Stocks of Subsidiary Companies—Substantial reductions were made in the amount held by the public, largely as a result of exchange offers. Only a negligible amount of common stocks of subsidiary companies remained outstanding at Dec. 31, 1932, and this has been further reduced since that date.

Obligations Convertible into Stock at Company's Option and Obligations of Equivalent Rank—The Obligations of Associated Gas and Electric Company convertible into stock at Company's option were called for conversion during 1932. Holders were permitted to take new Convertible Obligations, Series A and B instead of the preferred stock which they were entitled to receive in accordance with the terms of conversion. Practically all holders chose the new convertible obligations. The net increase in Obligations of Associated Gas and Electric Company Convertible into Stock at Company's Option was due largely to the exchange for preferred stocks of General Gas & Electric Corporation and Eastern Utilities Investing Corporation and to conversions of Interest Bearing Allotment Certificates of Associated Gas and Electric Company. Smaller amounts were issued on various other exchanges. Obligations of Equivalent Rank with Obligations Convertible into Stock at Company's Option showed a decrease of about \$18,500,000 due to reclassification of Serial Notes of General Gas & Electric Corporation into Funded Debt of Group Companies, the calling for retirement of Binghamton Light, Heat & Power Co. preferred stocks and a reduction of \$10,196,000 in Eastern Utilities Investing Corporation 5% Debentures, due 1954, principally as a result of exchanges for 4½% Debentures of Associated Gas and Electric Company, due 1958.

Funded Debt of Associated Gas and Electric Company—The \$8.00 and \$1.60 Interest Bearing Allotment Certificates were called for conversion. Many holders chose to convert into 5% Debentures, due 1965 and 1968. The increase of over \$11,000,000 4½% Debentures, due 1958, was due largely to exchanges for Eastern Utilities Investing Corporation 5% Debentures, due 1954.

Funded Debt of Group Companies, Etc.—There was an increase of \$10,800,000 in this item, due in part to a change in classification of General Gas & Electric Corporation Serial Notes, formerly carried as Obligations of Equivalent Rank with

Obligations Convertible into Stock at Company's Option of Associated Gas and Electric Company. A part of the increase was also due to the sale of 8% Eight Year Gold Bonds of Associated Gas and Electric Corporation, of which \$7,413,820 were outstanding December 31, 1932. The proceeds from the sale of these bonds were used to retire purchase money obligations and notes payable, which were substantially reduced during the year. The Serial Notes of General Gas & Electric Corporation maturing after 1932, and 6% Bonds, due 1942, of W. S. Barstow & Company were reduced by exchanges for Associated Electric Company 5% Bonds, due 1961. A large part of the General Gas & Electric Corporation Serial Notes which matured in 1932 were retired by exchange for Northern Pennsylvania Power Company 5% Bonds, due 1962.

Funded Debt of Operating Companies—The One-Year Notes of Pennsylvania Electric Company and Rochester Gas and Electric Corporation which matured in 1932 were paid from bank loans or short term notes, which had been refunded in large part with long term mortgage bonds by December 31, 1932. The One-Year Notes of Staten Island Edison Corporation were exchanged for 6% Refunding and Improvement Mortgage Bonds due June 14, 1933. Additional mortgage bonds of operating companies were issued in exchange for minority common stocks and other securities. They were also sold to provide for construction and to pay current indebtedness.

Reserves—Because of the decline in price levels and the continued shrinkage in the value of investments, an additional amount of \$80,000,000 was transferred from capital surplus of Associated Gas and Electric Company to reserve for contingencies. Of this amount \$62,000,000 was applied in consolidation against investments in subsidiaries, and to offset charges against capital surplus of subsidiaries, leaving a net increase of \$18,000,000 in consolidated reserve for contingencies.

ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARIES

CERTIFICATE

ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARIES

- EXHIBIT A — CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1932.
Schedule 1—Capital Stocks of Associated Gas and Electric Company.
- EXHIBIT B — STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31, 1932.
- EXHIBIT C — STATEMENT OF CONSOLIDATED CORPORATE SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1932.
- EXHIBIT D — STATEMENT OF CONSOLIDATED CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1932.

ASSOCIATED GAS AND ELECTRIC COMPANY

- EXHIBIT E — BALANCE SHEET, DECEMBER 31, 1932.
- EXHIBIT F — STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1932.
- EXHIBIT G — STATEMENTS OF CORPORATE AND CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1932.

New York,
October 14, 1933

CERTIFICATE

Associated Gas and Electric Company:

We have examined your accounts and those of your subsidiaries included in the accompanying consolidated statements, except the Manila companies, for the year ended December 31, 1932. In accordance with the parent company's practice we have included in the accompanying exhibits the figures of the Manila companies as reported by them at October 31, 1932, adjusted for November and December, 1932, earnings. The securities or due bills for securities representing the investments, and cash (except working funds), of the companies examined, were verified as of December 31, 1932, by count or by confirmation of outside depositories or were otherwise satisfactorily accounted for.

The consolidated Federal income taxes for a number of years are still subject to final determination and the amounts asserted by the United States Treasury Department are in excess of the reserve provided by the company but the eventual liability cannot at this time be definitely ascertained.

Certain of the underlying companies take up as earnings, available for interest and/or dividend charges, the undistributed earnings of their subsidiaries. The income received by Associated Gas and Electric Company from subsidiaries as shown in the accompanying statement of income on a parent company basis includes credits for interest and/or dividends out of such earnings.

Subject to the foregoing and to (1) the valuation of fixed capital and investments (including in the case of the parent company its investment in subsidiaries) as indicated, (2) the adequacy of the provision for retirements and doubtful accounts, and (3) the treatment of debt discount and expense as a charge to capital surplus, in our opinion the accompanying balance sheets, Exhibits A and E, statements of income, Exhibits B and F, and statements of surplus, Exhibits C, D, and G, set forth, respectively, the financial condition of the companies at December 31, 1932, and their operating results for the year ended that date, on a consolidated and parent company basis.

Haskins Sells

New York,
October 14, 1933.

Associated Gas and Electric Company

(Incorporated in New York)

and Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 1932

ASSETS

FIXED CAPITAL:

Plant, property, equipment, etc. (including overhead for organization, going value, etc.), stated at estimated cost of reproduction (with minor exceptions) at various dates of revaluation plus subsequent additions at cost (includes property not in use carried at approximately \$2,775,000) and \$118,305,109.03 uneliminated balance of investments in subsidiaries..... \$769,431,677.26

INVESTMENTS—AT COST OR COMPANIES' VALUATION (principally investments in and amounts due from affiliated companies and subsidiary companies not consolidated)..... *73,230,375.24

SPECIAL DEPOSITS FOR SINKING FUNDS, ETC..... 324,433.12

SPECIAL DEPOSITS FOR INTEREST, AND MATURED AND CALLED BONDS (contra)..... 648,655.90

CASH (including working funds)..... 7,946,953.88

ACCOUNTS RECEIVABLE:

Consumers (less reserve, \$611,774.80)..... \$6,779,640.19

Appliances (instalment accounts) and miscellaneous (includes \$108,800.51 due from employees) (less reserve, \$192,406.66)..... 2,558,506.59

Appliances (instalment accounts) (pledged)..... 1,047,690.26 10,385,837.04

MATERIALS AND SUPPLIES (book inventories)..... 4,277,342.10

PREPAID EXPENSES..... 557,620.92

MISCELLANEOUS UNADJUSTED DEBITS (including balances in closed banks, \$96,202.61).... 919,484.36

TOTAL..... \$867,722,379.82

*Investments carried at approximately \$24,000,000 had a value based on market quotations of approximately \$3,400,000.

The book value of \$24,000,000 includes the cost of certain investments carried in a group valuation and for which market quotations are not available. Market quotations for the other investments were not available.

NOTES: In the above statement debt discount and expense applicable to the future has been charged to capital surplus.

Certain securities of subsidiary companies which eliminate in the above statement are pledged as collateral to funded debt and notes payable or deposited under escrow or other agreements.

No provision has been made above for accrued cumulative dividends unpaid on preferred and preference stocks of Associated Gas and Electric Company. Particulars of the stocks and dates to which dividends have been paid are shown in Schedule 1.

Interest on certain bonds of subsidiaries was in default at December 31, 1932. The principal amounts of such bonds held by the public were as follows: American Utilities Company 6s, due 1945, \$460,500.00 and 6½s, due 1941, \$69,500.00; Southern Ice and Utilities Company 6s, due 1946, \$282,500.00 and 6½s, due 1932 (also in default as to principal) \$50,500.00. Provision, however, has been made in the above statement for the interest accrued to December 31, 1932.

Dividends were in arrears at December 31, 1932, on preferred stocks of the following subsidiaries: American Utilities Company, Broad River Power Company, Eastern Utilities Investing Corporation, Florida Public Service Company, New York Central Electric Corporation, Ohio-Midland Light and Power Company, and Southern Ice and Utilities Company. Provision, however, has been made in the above statement for dividends accrued to December 31, 1932, except dividends amounting to \$23,418.50 on the stocks of American Utilities Company and Southern Ice and Utilities Company.

EXHIBIT A

Associated Gas and Electric Company

(Incorporated in New York)

and Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 1932

LIABILITIES

CAPITAL STOCK AND SURPLUS:

Associated Gas and Electric Company:

Capital stocks—Schedule I..... \$69,742,350.00

Consolidated surplus:

Capital—Exhibit D 12,588,299.93

Corporate—Exhibit C 4,657,990.06 \$86,988,639.99

Subsidiary companies:

Capital stocks (including applicable surplus) the majority of which are of equal rank with preferred and preference stocks of Associated Gas and Electric Company..... 36,281,486.25

Other subsidiary companies' capital stocks:

Preferred \$36,541,871.67

Common (including surplus applicable thereto)..... 275,316.83 36,817,188.50 \$160,087,314.74

OBLIGATIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY CONVERTIBLE INTO STOCK AT COMPANY'S OPTION AND OBLIGATIONS OF SUBSIDIARY COMPANY OF EQUIVALENT RANK:

Associated Gas and Electric Company..... \$ 62,514,077.32

Subsidiary company..... 6,266,000.00 68,780,077.32

FUNDED DEBT AND INTEREST-BEARING SCRIP:

Associated Gas and Electric Company..... \$254,426,664.04

Subsidiary companies:

Util ty companies (including \$6,541,000.00 due in 1933)..... 191,566,000.00

Other companies (including \$690,000.00 due in 1933) 67,653,069.15 513,645,733.19

MATURED BONDS AND BOND INTEREST, ETC. (contra)..... 648,655.90

ADVANCES FROM FINANCE COMPANY (appliance accounts receivable pledged as collateral) ... 629,900.00

NOTES PAYABLE (includes \$3,265,000.00 of notes covered by pledge of bonds of subsidiary companies eliminated in consolidation)..... 5,160,399.73

ACCOUNTS PAYABLE (includes \$50,500.00 past-due convertible gold notes of a subsidiary company)..... 2,770,475.73

ACCRUED TAXES (exclusive of Federal income tax)..... 2,545,795.79

INTEREST AND MISCELLANEOUS ACCRUALS (includes \$64,412.73 past-due interest on bonds of subsidiaries)..... 9,579,104.15

CONSUMERS' SERVICE AND LINE DEPOSITS..... 4,134,587.00

RESERVES FOR FEDERAL INCOME TAX (subject to final determination)..... 4,864,937.62

RESERVE FOR RETIREMENT (REPLACEMENTS AND RENEWALS) OF FIXED CAPITAL (including adjustments resulting from appraisals)..... 51,919,171.37

RESERVE FOR CONTINGENCIES (created from capital surplus) 38,000,000.00

MISCELLANEOUS RESERVES AND UNADJUSTED CREDITS (including non-refundable contributions for extensions) 4,956,227.28

TOTAL..... \$867,722,379.82

EXHIBIT A

Associated Gas and Electric Company and Subsidiaries

CAPITAL STOCKS OF ASSOCIATED GAS AND ELECTRIC COMPANY December 31, 1932

Description	Dates to Which Cumulative Dividends Have Been Paid	Number of Shares Outstanding With Public	Stated Capital
Cumulative preferred stock (without par value):			
Original series.....	Oct. 1, 1932	40,211	}
\$5.00 dividend series.....	June 15, 1932	24,426	
\$5.50 dividend series.....	June 15, 1932	163	
\$6.00 dividend series.....	June 1, 1932	104,985	
\$6.50 dividend series.....	June 1, 1932	70,603	
\$7.00 dividend series.....	Oct. 1, 1932	97,036	
Cumulative preference stock (without par value):			
\$4.00 cumulative preference.....	*May 1, 1932	46,385	}
\$5.50 cumulative preference.....	*June 15, 1932	14,452	
\$6.00 cumulative preference.....	Apr. 1, 1932	2,779	
\$6.50 cumulative preference.....	Apr. 1, 1932	7,487	
Class A stock—Without par value (preferred as to assets—After liquidation of preferred and preference stocks—up to \$35.00 a share plus one-half of the remaining assets after Class B and common stocks have received in the aggregate an amount equal to \$35.00 a share on the class A stock):			
Stock (including transferable subscription receipts).....	5,928,996 shs.		}
Less in treasury	1,500,797 shs.		
Outstanding.....	4,428,199 shs.		}
6% convertible debenture certificates for class A stock.....	134,650 shs.	4,563,800	
Class A receipts for 6% convertible debenture certificates—Series C.....	951 shs.		}
Total outstanding, less in treasury.....	4,563,800 shs.		
Class B stock—Without par value (preferred as to assets—after liquidation of preferred and preference stocks and distribution of \$35.00 a share to holders of Class A stock—to \$35.00 a share but not to exceed in the aggregate an amount equal to \$35.00 a share on the outstanding class A stock).....			
		1,000,000	}
Common stock (without par value)		1,209,137	
Payments received on subscriptions to various capital stock issues..			}
Common stock purchase rights.....		103,430½ rts.	
Optional stock purchase warrants		7,954,407½ wts.	}
Rights on 4½% convertible gold debentures, due 1948.....		103,071½ rts.	
Warrants on Associated Gas and Electric Corporation 8% bonds due 1940, for purchase of 74,138 shares of Associated Gas and Electric Company common stock.....			}
TOTAL			
			\$69,742,350.00

*Last dividend paid in scrip.

NOTES: The cumulative preferred stock is preferred as to assets, in the event of liquidation, up to \$100.00 a share plus any unpaid cumulative dividends, except in the case of the original series preferred stock which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

After the liquidation of the preferred stocks the cumulative preference stock is preferred as to assets up to \$100.00 a share plus any unpaid cumulative dividends, except in the case of the \$4.00 cumulative preference stock which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

Stocks of Associated Gas and Electric Company held by companies included in the consolidation and which eliminate above are as follows: cumulative preferred, \$5.00 dividend series, 183,395 shares, \$4.00 cumulative preference, 877,656 shares, \$6.00 cumulative preference, 469,020 shares, \$6.50 cumulative preference, 7,130 shares.

Associated Gas and Electric Company and Subsidiaries

STATEMENT OF CONSOLIDATED INCOME

For the year ended December 31, 1952

OPERATING REVENUES:		
Electric.....	\$66,182,889.65	
Gas.....	11,617,219.62	
Steam heating, water, ice, transportation and miscellaneous.....	<u>7,026,347.59</u>	
Total.....		\$84,826,456.86
OPERATING EXPENSES AND TAXES:		
Operating expenses.....	\$35,529,923.00	
Maintenance.....	5,869,526.94	
Provision for retirement (renewals, replacements, etc.) of fixed capital.....	7,251,309.08	
Taxes (other than Federal income tax).....	5,274,476.62	
Provision for Federal income tax (companies' estimate).....	<u>1,217,489.93</u>	
Total.....		<u>55,142,725.57</u>
OPERATING INCOME.....		\$29,683,731.29
OTHER INCOME—INTEREST AND DIVIDENDS ON INVESTMENTS, NET OPERATIONS OF MANAGEMENT AND SERVING SUBSIDIARIES, ETC. (includes net profit of ap- proximately \$114,000.00 arising from construction fees capitalized).....		<u>3,038,904.13</u>
GROSS INCOME.....		\$32,722,635.42
DEDUCTIONS FROM INCOME:		
Subsidiary companies:		
Utility companies:		
Interest on funded debt.....	\$ 9,407,666.53	
Interest on unfunded debt.....	432,598.94	
Interest during construction.....	<u>207,336.05</u>	
Dividends on preferred stocks.....	2,133,027.14	
Other subsidiary companies:		
Interest on funded debt.....	*3,634,314.99	
Interest on unfunded debt.....	* 128,827.90	
Dividends on preferred and preference stocks.....	* 299,358.99	
Income applicable to minority interest.....	<u>109,553.20</u>	
Total.....		<u>15,938,011.64</u>
Balance.....		\$16,784,623.78
Interest on funded and unfunded debt of Associated Gas and Electric Company		<u>12,475,193.73</u>
BALANCE OF INCOME (before charging interest on obligations of Associated Gas and Electric Company convertible into stock at company's option and interest and dividends of subsidiary companies ranking after fixed charges of Associated Gas and Electric Company)		<u>\$ 4,309,430.05</u>

*Exclusive of that portion of interest or dividends paid by General Gas & Electric Corporation, Eastern Utilities Investing Corporation and Binghamton Light, Heat & Power Co., from income arising from investments in convertible obligations and preferred and preference stocks of Associated Gas and Electric Company. Interest and dividends paid to the public from such income are considered as ranking with payments by Associated Gas and Electric Company and are included in Exhibit C as charges to corporate surplus.

NOTE: No charge is included in the above statement for debt discount and expense which on an amortization basis would amount to approximately \$2,800,000.00 for all companies for the year.

Associated Gas and Electric Company and Subsidiaries

STATEMENT OF CONSOLIDATED CORPORATE SURPLUS

For the year ended December 31, 1932

BALANCE, JANUARY 1, 1932.....	\$ 5,852,660.40
ADDITIONS:	
Balance of income for the year ended December 31, 1932—See Exhibit B	4,309,430.05
Reserve accounts returned to surplus.....	189,164.84
Charges made to corporate surplus by the parent company in prior years for amortization of debt discount and expense now transferred to capital surplus, in accordance with the company's policy of charging all debt discount and expense to that account.....	1,980,531.87
Miscellaneous adjustments (net).....	131,867.97
Total.....	<u>\$12,465,655.13</u>
DEDUCTIONS:	
Interest on obligations of Associated Gas and Electric Company convertible into stock at company's option (\$5,461,112.40) and interest and dividend charges of subsidiary companies ranking therewith (\$838,178.58).....	\$ 4,299,290.98
Dividends on stocks of subsidiary companies ranking after interest on obligations of Associated Gas and Electric Company convertible into stock at company's option (less \$546,081.91 chargeable to minority interest in surplus at beginning of year)	736,449.45
Dividends on preferred stock of Associated Gas and Electric Company.....	1,070,689.91
Dividends on preference stock of Associated Gas and Electric Company (including \$70,352.06 paid in scrip and stock).....	113,446.03
Dividends on class A stock (paid in stock).....	309,938.76
Debt discount and expense (net).....	1,275,849.94
Total.....	<u>\$ 7,805,665.07</u>
BALANCE, DECEMBER 31, 1932.....	<u>\$ 4,657,990.06</u>

NOTES: Debt discount and expense on bonds issued or reacquired (net) has in general been charged to capital surplus (or surplus at acquisition) in consolidation in 1932 and prior years. The amount charged to corporate surplus as above consists of \$883,531.89 applicable to future period written off by a subsidiary and \$392,318.05 amortization by certain subsidiaries.

See foot-notes to Exhibit A regarding dividends in arrears.

EXHIBIT C

Associated Gas and Electric Company
and Subsidiaries

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS

For the year ended December 31, 1932

BALANCE, JANUARY 1, 1932.....	\$36,699,501.59
ADDITIONS:	
From reduction of stated value of capital stocks, less acquisitions of stocks charged to capital surplus	55,270,526.32
Miscellaneous adjustments (net).....	355,718.07
Total.....	<u>\$92,325,745.98</u>
DEDUCTIONS:	
Debt discount and other expenses of acquiring capital (less discount on purchases and/or exchanges) including adjustments applicable to prior years (net).....	\$ 4,615,757.89
Charges made to corporate surplus by the parent company in prior years for amortization of debt discount and expense now transferred to capital surplus, in accordance with the company's policy of charging all debt discount and expenses to that account.....	1,980,531.87
Provision by parent company for contingencies.....	\$80,000,000.00
Less amount used to offset consolidation adjustments.....	<u>6,858,843.71</u>
Remainder (of which \$55,141,156.29 is applied in consolidation against investment in subsidiaries).....	73,141,156.29
Total.....	<u>\$79,737,446.05</u>
BALANCE, DECEMBER 31, 1932.....	<u>\$12,588,299.93</u>

EXHIBIT D

Associated Gas and Electric Company

(Incorporated in New York)

BALANCE SHEET

December 31, 1932

ASSETS

INVESTMENTS IN SUBSIDIARIES (company's valuation):

Common Stocks (entire issue in each case):

Associated Gas and Electric Corporation—6,710,000 shares of \$1.00 par value .. \$629,450,000.00

Eastern Utilities Securities Corporation—6,000 shares of no par value 42,000.00

Total common stocks \$629,492,000.00

Convertible obligations of Eastern Utilities Securities Corporation 42,330,000.00

Bonds (including due bills):

\$1,586,180.00 Associated Gas and Electric Corporation 8%, due 1940.....	} 12,665,459.68
\$1,000,000.00 Associated Gas and Electric Corporation 8%, due 1940—Due bill.	
*\$6,042,000.00 Eastern Utilities Investing Corporation 5%, due 1954.....	
*\$2,475,000.00 Associated Electric Company 4½%, due 1953.....	
*\$ 689,000.00 Associated Electric Company 4½%, due 1956.....	
*\$1,850,000.00 The Metropolitan Edison Corporation 6%, due 1961—Due bill.	

Total investment in subsidiaries \$684,487,459.68

ACCRUED INTEREST RECEIVABLE ON INVESTMENTS IN SUBSIDIARIES..... 252,666.96

ACCOUNTS RECEIVABLE FROM SUBSIDIARIES..... 559,608.55

CASH (including working funds, \$7,000.00)..... 1,585,927.10

CONTRA TO LIABILITY FOR ASSUMPTION OF BONDS OF SUBSIDIARY COMPANY DUE 1953, INCLUDED IN FUNDED DEBT..... 1,000,000.00

CONTRA TO CONTINGENT LIABILITY FOR JOINT GUARANTY OF SUBSIDIARY COMPANY'S MORTGAGE BONDS, DUE 1941..... 2,669,000.00

OFFICE FURNITURE AND FIXTURES AND MISCELLANEOUS ITEMS IN SUSPENSE..... 178,685.59

TOTAL..... \$690,733,347.88

*Indirect subsidiaries.

EXHIBIT E

Associated Gas and Electric Company

(Incorporated in New York)

BALANCE SHEET

December 31, 1932

LIABILITIES

CAPITAL STOCK (INCLUDING STOCK TO BE ISSUED) AND SURPLUS:	
Stated capital	\$179,579,650.00
Capital surplus—Exhibit G	12,588,299.93
Corporate surplus—Exhibit G	<u>655,766.00</u>
Total capital stock and surplus	\$192,823,715.93
OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION	95,204,077.32
FUNDED DEBT (less \$4,838,540.00 in treasury)	261,233,817.26
INTEREST-BEARING SCRIP, DUE 1937 (less \$724,621.50 in treasury)	65,646.78
ACCOUNTS PAYABLE	1,930.65
MATURED INTEREST	192,812.50
ACCRUED INTEREST PAYABLE:	
On funded debt	\$ 4,046,426.21
Other	<u>668,074.72</u>
Total accrued interest payable	4,714,500.93
ACCRUED TAXES	126,302.86
RESERVE FOR TAXES, ETC., INCLUDING COMPANY'S ESTIMATE FOR ADDITIONAL FEDERAL INCOME TAXES SUBJECT TO FINAL DETERMINATION	3,701,543.65
RESERVE FOR CONTINGENCIES—APPROPRIATED FROM CAPITAL SURPLUS AS RESERVE AGAINST INVESTMENTS, ETC	130,000,000.00
CONTINGENT LIABILITY UNDER JOINT GUARANTY OF MORTGAGE BONDS OF SUBSIDIARY COMPANY, DUE 1941 (contra)	<u>2,669,000.00</u>
TOTAL	<u>\$690,733,347.88</u>

NOTES: No provision has been made in the above statement for unpaid cumulative dividends accrued to December 31, 1932, amounting to approximately \$6,143,000.00.

Debt discount and expense applicable to the future has been charged to capital surplus.

At December 31, 1932, the company was obligated to purchase from Staten Island Edison Corporation, an indirect subsidiary, certain securities at the rate of \$125,000.00 per month to May 15, 1933.

EXHIBIT E

Associated Gas and Electric Company

STATEMENT OF INCOME

For the year ended December 31, 1932

INCOME:

From subsidiary companies:

Interest on:

Notes, convertible obligations, and accounts, including adjustment of prior years interest	\$19,859,096.47
Bonds,	559,369.20
Dividends,	900,000.00

Total,	\$21,318,465.67
------------------	-----------------

Less income received from underlying companies which is contra to interest and dividends paid by Associated Gas and Electric Company thereto,	2,707,732.00
---	--------------

Remainder,	\$18,610,733.67
----------------------	-----------------

Interest on bank balances,	8,177.35
--------------------------------------	----------

Miscellaneous income,	2,407.57
---------------------------------	----------

Total,	\$18,621,318.59
------------------	-----------------

EXPENSES AND TAXES:

General expenses,	\$ 61,538.77
Provision for 1932 Federal income tax (company's estimate),	647,000.00
Other taxes,	77,179.66
Total,	785,718.43

BALANCE OF INCOME BEFORE INTEREST,	\$17,835,600.16
--	-----------------

INTEREST:

Funded debt,	\$12,651,576.15
Contractual obligations,	43,598.67
Notes payable,	106,201.70
Dividend scrip,	41,266.06
Total,	12,842,642.58

BALANCE OF INCOME BEFORE INTEREST ON OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION,	\$ 4,992,957.58
--	-----------------

NOTE: The balance of income as above is approximately \$684,000.00 more (exclusive of surplus charges and credits) than the consolidated income of the company and underlying subsidiaries for the year. It does not include any charge by the company or underlying companies for debt discount and expense which has been deducted from capital surplus. The amount on an amortization basis would be approximately \$2,800,000.00 for all companies.

EXHIBIT F

Associated Gas and Electric Company

STATEMENTS OF CORPORATE AND CAPITAL SURPLUS

For the Year ended December 31, 1932

CORPORATE SURPLUS

BALANCE, JANUARY 1, 1932.....		\$	212,091.68
ADDITIONS:			
Balance of income before interest on obligations convertible into stock at company's option—Year ended December 31, 1932—Exhibit F.....			4,992,957.58
Charges made to corporate surplus in prior years for amortization of debt discount and expense now transferred to capital surplus in accordance with the company's present policy of charging all debt discount and expense to that account.....			1,980,531.87
Total.....		\$	7,185,581.13
DEDUCTIONS:			
Interest on obligations convertible into stock at company's option.....	\$5,355,088.32		
Dividends:			
Preferred.....	\$1,493,582.02		
Preference (\$1,240,688.35 paid in stock and scrip).....	2,078,938.03		
Class A (paid in stock).....	309,938.76	3,882,458.81	
Total.....		\$9,237,547.13	
Less the portion of above paid to underlying companies which is contra to income received by Associated Gas and Electric Company therefrom.....	2,707,732.00		
Remainder.....			6,529,815.13
BALANCE, DECEMBER 31, 1932.....		\$	655,766.00

CAPITAL SURPLUS

BALANCE, JANUARY 1, 1932.....		\$	48,874,501.59
ADDITIONS:			
Credit arising through reduction of stated value of capital stock, under certificate filed April 7, 1932, less acquisitions of stocks charged to capital surplus.....			55,270,526.32
Dividends received from Associated Gas and Electric Corporation paid out of capital surplus.....			35,050,000.00
Total.....			\$139,195,027.91
DEDUCTIONS:			
Adjustment in carrying value of investment in common stock of Associated Gas and Electric Corporation.....		\$	41,050,000.00
Transfer to reserve for contingencies.....			80,000,000.00
Loss on sale of investments in bonds of subsidiaries.....			172,771.47
Debt discount and other expenses of acquiring capital (less discount on purchases and/or exchanges) including adjustments applicable to prior years (net).....			3,403,424.64
Charges made to corporate surplus in prior years for amortization of debt discount and expense now transferred to capital surplus in accordance with the company's present policy of charging all discount and expense to that account.....			1,980,531.87
Total.....			\$126,606,727.98
BALANCE, DECEMBER 31, 1932.....		\$	12,588,299.93

EXHIBIT G

Associated Gas and Electric Company

and Subsidiaries

CONSOLIDATED STATEMENT OF CAPITAL RECEIPTS AND CAPITAL DISBURSEMENTS

December 31, 1931 to December 31, 1932

CAPITAL RECEIPTS

CASH BALANCE AT DECEMBER 31, 1931.....	\$ 8,466,497.93
Receipts for the year ended December 31, 1932:	
Balance of undistributed earnings—transferred to surplus.....	4,309,430.05
Decrease in capital assets (including reduction in consolidation of excess of investments in subsidiaries over total of par or stated value thereof, corporate surplus at date of acquisition and capital surplus).....	67,888,320.79
Increase in optional and other reserves (including reserve for contingencies \$18,000,000).....	24,304,490.52
Decrease in excess current assets over current liabilities.....	3,876,395.75
Increase in consumers' deposits.....	49,954.95
TOTAL CAPITAL RECEIPTS.....	<u>\$108,895,089.99</u>

CAPITAL DISBURSEMENTS

Decrease in purchase money obligations.....	\$ 3,190,153.00
Decrease in notes payable and advances from financing company.....	3,553,628.02
Capital securities retired through redemption, conversion, purchase or exchange—net—(including reduction of stated capital for stocks). Details of capital issues and retirements on pages 37 to 39.....	64,497,823.58
Increase in deferred debit items.....	91,229.46
Items charged against surplus (net). See analysis on pages 30 and 31.....	29,615,302.05
TOTAL CAPITAL DISBURSEMENTS.....	<u>\$100,948,136.11</u>
CASH BALANCE AT DECEMBER 31, 1932.....	7,946,953.88
TOTAL.....	<u>\$108,895,089.99</u>

On pages 36 to 39 the term "retired" indicates a reduction in the amount of securities held by the public but does not necessarily mean that the securities were cancelled. The term "issued" indicates an increase in the amount of securities held by the public.

Associated Gas and Electric Company

and Subsidiaries

DETAILS OF CONSOLIDATED CAPITAL ISSUES AND RETIREMENTS

December 31, 1931 to December 31, 1932

Capital stock of Associated Gas and Electric Company	Shares issued (net)	Shares retired (net)
Preferred:		
Original Series.....	—	269
\$7.00 Dividend Series.....	844	—
\$6.50 Dividend Series.....	45	—
\$6.00 Dividend Series.....	12,525	—
\$5.50 Dividend Series.....	163	—
\$5.00 Dividend Series.....	9,128	—
Preference:		
\$6.50 Cumulative.....	—	36,150
\$6.00 Cumulative.....	1,521	—
\$5.50 Cumulative.....	—	2,227
\$4.00 Cumulative.....	—	150
Class A.....	—	117,657
Class B.....	385,634	—
Common.....	—	265,024
Stocks, the majority of which are of equal rank with preferred and preference stocks of Associated Gas and Electric Company	Shares issued (net)	Shares retired (net)
Eastern Utilities Investing Corporation:		
\$5.00 Prior Preferred Stock.....	—	622
\$7.00 Preferred Stock.....	—	2,866
\$6.00 Preferred Stock.....	—	691
Participating Preference Stock.....	—	1,766
Class A Common Stock.....	—	62,926
General Gas & Electric Corporation:		
\$8.00 Cumulative Preferred Stock.....	—	3,737
\$7.00 Cumulative Preferred Stock.....	—	4,081
\$6.00 Cumulative Preferred Stock, Series A and B.....	—	141,424
Class A Common Stock.....	67,474	—
Class B Common Stock.....	—	148
Stocks of subsidiary companies	Shares issued (net)	Shares retired (net)
Preferred Stocks:		
Broad River Power Company—7% Cumulative.....	—	14,504
Clarion River Power Company—Participating.....	—	4,463.9
Empire Gas and Electric Company:		
6% Cumulative, Series A and D.....	—	65
7% Cumulative, Series C.....	—	132
Florida Public Service Company—\$7.00 Cumulative.....	—	104
Metropolitan Edison Company:		
\$7.00 Cumulative.....	—	766
\$6.00 Cumulative.....	—	6,108
New Jersey Power & Light Company—\$6.00 Cumulative.....	—	979
New York Central Electric Corporation—7% Cumulative.....	—	6,541
Ohio-Midland Light and Power Company—\$5.00 Cumulative.....	133.52	—
Rochester Central Power Corporation—6% Cumulative.....	—	2,741
Rochester Gas and Electric Corporation:		
7% Cumulative, Series B.....	—	2,523
6% Cumulative, Series C and D.....	—	5,632
Southern Ice and Utilities Company—\$7.00 Participating Cumulative.....	—	6
Common Stocks:		
The Associated Utilities Investing Corporation—Class A.....	—	527
Brockport Gas Light Company.....	—	26
Metropolitan Edison Company.....	—	17,080
Ohio-Midland Light and Power Company.....	211.62	—
Rochester Central Power Corporation.....	—	253
Southern Ice and Utilities Company—Class A.....	—	3
Tennessee-Missouri Power Company.....	—	171

Associated Gas and Electric Company and Subsidiaries

DETAILS OF CONSOLIDATED CAPITAL ISSUES AND RETIREMENTS

December 31, 1931 to December 31, 1932

Obligations of Associated Gas and Electric Company convertible into stock at Company's option	Principal Amount	
	Issued (net)	Retired (net)
Convertible Obligations, Series A:		
7%.....	\$ 4,932,050.00	\$ —
6½%.....	1,638,600.00	—
6%.....	32,420,250.00	—
5½%.....	634,771.00	—
5%.....	19,951,500.00	—
6% Convertible Obligations, Series B.....	1,971,500.00	—
Convertible Debenture Certificates:		
6½% Series B and C.....	—	991,300.00
6% Series A of 1929.....	—	16,877,320.00
6% Series B of 1929.....	—	12,343,180.00
6% Series C, D, E and F.....	—	5,207,700.00
6% Series of 1931.....	—	2,066,010.00
Convertible Obligations:		
7%.....	—	33,000.00
6½%.....	—	1,041,400.00
6%.....	—	153,500.00
5%.....	—	9,520,700.00
Miscellaneous.....	—	1,248,605.17
TOTAL.....	\$61,548,671.00	\$49,482,715.17
Net Issued	\$12,065,955.83	

Obligations of equivalent rank with obligations convertible into stock at Company's option of Associated Gas and Electric Company	Principal Amount	
	Issued (net)	Retired (net)
Reclassification of General Gas & Electric Corp. Serial Notes as of Jan. 1, 1932.....	—	\$ 7,701,000.00
Binghamton Light, Heat & Power Co. \$6.00 Preferred Stock (6,149 shares) and \$5.00 Preferred Stock (121 shares)—at liquidation value.....	—	627,000.00
Eastern Utilities Investing Corporation 5% Debentures, due 1954.....	—	10,196,000.00
Net Retired		\$18,524,000.00

Funded debt of Associated Gas and Electric Company	Principal Amount	
	Issued (net)	Retired (net)
Gold Debenture Bonds, Consolidated Refunding:		
5% due 1968.....	\$15,573,600.00	\$ —
4½% due 1958.....	11,103,600.00	—
Convertible Debenture Bonds, 5% due 1965.....	5,466,890.00	—
5½% Convertible Investment Certificates.....	—	3,931,000.00
4½% Convertible Gold Debentures, due 1949.....	—	1,310,500.00
\$8.00 and \$1.60 Interest Bearing Allotment Certificates.....	—	16,354,530.00
Miscellaneous.....	—	228,165.66
TOTAL.....	\$32,144,090.00	\$21,824,195.66
Net Issued	\$10,319,894.34	

Associated Gas and Electric Company and Subsidiaries

DETAILS OF CONSOLIDATED CAPITAL ISSUES AND RETIREMENTS

December 31, 1931 to December 31, 1932

Funded debt of group companies, etc.	Principal Amount	
	Issued (net)	Retired (net)
Reclassification of General Gas & Electric Corp. Serial Notes as of Jan. 1, 1932.....	\$ 7,701,000.00	\$ —
Associated Electric Company 5% due 1961 and 4½% due 1953.....	3,325,500.00	—
Associated Gas and Electric Corporation, 8% due 1940.....	7,413,820.00	—
W. S. Barstow & Company, 6% due 1942.....	—	1,134,500.00
General Gas & Electric Corporation:		
5% Notes due Serially to 1935.....	—	5,040,000.00
7% Scrip due 1937-1938.....	1,056,068.65	—
The Metropolitan Edison Corporation, 6% due 1961.....	—	1,900,900.00
The Mohawk Valley Company, 6% due 1991 and 6% due 2031.....	765,000.00	—
Rochester Central Power Corporation:		
5% due 1953.....	—	1,035,500.00
6% Scrip due 1937-1938.....	80,080.50	—
Miscellaneous.....	—	424,500.00
TOTAL.....	\$20,341,469.15	\$ 9,555,400.00
Net Issued.....	\$10,806,069.15	

Funded debt of operating companies	Principal Amount	
	Issued (net)	Retired (net)
Broad River Power Company, 5% due 1954 and 6½% due 1934.....	\$ —	\$ 1,030,300.00
Elmira Water, Light and Railroad Company, 5% due 1956.....	273,000.00	—
Erie Lighting Company, 5% due 1967.....	828,000.00	—
Florida Public Service Company, 7% due 1934, 6½% due 1949 and 6% due 1955.....	—	943,800.00
Lexington Water Power Company, 5½% due 1953 and 5% due 1968.....	—	499,500.00
Metropolitan Edison Company:		
5% due 1962.....	5,448,100.00	—
5% due 1953, 4½% due 1968 and 4% due 1971.....	—	1,594,300.00
New Jersey Power & Light Company, 4½% due 1960.....	3,389,000.00	—
New York Central Electric Corporation, 5% due 1952.....	753,000.00	—
New York State Electric & Gas Corporation:		
4½% due 1980.....	4,699,700.00	—
4½% due 1960.....	563,000.00	—
Northern Pennsylvania Power Company, 5% due 1962.....	1,389,200.00	—
Pennsylvania Electric Company:		
7½% due 1935.....	105,000.00	—
6½% due 1933.....	857,000.00	—
5% due 1962.....	8,823,000.00	—
4% due 1971.....	41,000.00	—
3½% due 1932.....	—	9,000,000.00
Rochester Gas and Electric Corporation:		
5% due 1962.....	8,228,000.00	—
4½% due 1977.....	10,000.00	—
3% due 1932.....	—	10,000,000.00
Scioto Valley Railway and Power Company, 6% due 1943.....	1,134,000.00	—
Southern Ice and Utilities Company, 6½% due 1932 and 6% due 1946.....	—	602,000.00
Staten Island Edison Corporation:		
6% due 1933.....	5,562,000.00	—
3% due 1932.....	—	7,500,000.00
Miscellaneous.....	—	1,308,600.00
TOTAL.....	\$42,103,000.00	\$32,478,500.00
Net Issued.....	\$ 9,624,500.00	

Associated Gas and Electric Company and Subsidiaries

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1928 to 1932 inclusive

ASSETS SIDE

	1932*	1931*	1930	1929	1928
CAPITAL ASSETS:					
Fixed capital.....	\$769,431,677.26	\$832,280,912.38	\$753,895,078.51†	\$634,940,391.96†	\$242,091,175.42†
Investments (including investments in and net advances to subsidiary and affiliated companies not included in the consolidation).....	73,230,375.24	78,269,460.91	123,567,554.26	228,386,863.82	51,417,044.31
Total capital assets..	\$842,662,052.50	\$910,550,373.29	\$877,462,632.77	\$863,327,255.78	\$293,508,219.73
SPECIAL DEPOSITS (contra)...	648,655.90	1,252,540.24	—	—	—
CURRENT ASSETS:					
Cash, call loans, etc.....	7,946,953.88	8,466,497.93	12,969,194.06	11,698,402.69	7,013,643.71
Accounts receivable, consumers, less reserve.....	6,779,640.19	6,926,621.89	7,444,851.15	6,636,394.45	2,599,244.54
Notes and accounts receivable, miscellaneous.....	2,558,506.59	6,495,609.61	6,697,496.27	4,342,093.11	4,007,344.14
Accounts receivable, appliances (pledged).....	1,047,690.26	—	—	—	—
Materials and supplies.....	4,277,342.10	5,586,033.28	5,830,377.87	6,600,466.82	2,555,911.57
Total current assets.	\$ 22,610,133.02	\$ 27,474,762.71	\$ 32,941,919.35	\$ 29,277,357.07	\$ 16,176,143.96
SINKING FUNDS FOR RETIREMENT OF BONDS, ETC.....	324,433.12	574,966.26	165,462.65	106,706.45	39,638.30
DEFERRED CHARGES:					
Prepaid expenses.....	557,620.92	482,867.68	625,389.20	644,039.68	434,436.44
Miscellaneous items in suspense.....	919,484.36	903,008.14	3,418,221.48	4,631,684.21	1,059,775.84
Unamortized debt discount and expense.....	—	—	7,395,168.10	2,504,499.71	7,296,279.99
Total deferred charges.	\$ 1,477,105.28	\$ 1,385,875.82	\$ 11,438,778.78	\$ 7,780,223.60	\$ 8,790,492.27
TOTAL ASSETS SIDE	\$867,722,379.82	\$941,238,518.32	\$922,008,793.55	\$900,491,542.90	\$318,514,494.26

*Includes General Gas & Electric Corporation and Eastern Utilities Investing Corporation on consolidated basis.

†Includes cost of acquiring capital.

In the above statement unamortized debt discount and expense at December 31, 1931 and 1932 is charged to capital surplus.

Associated Gas and Electric Company and Subsidiaries

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1928 to 1932 inclusive

LIABILITIES SIDE AND CAPITAL

	1932*	1931*	1930	1929	1928
CAPITAL STOCK AND SURPLUS:					
Associated Gas and Electric Company.....	\$ 86,988,639.99	\$168,859,071.47	\$317,475,178.25	\$286,044,320.67	\$100,206,602.90
Stocks, the majority of which are of equal rank with stocks of Company.	36,281,486.25	62,251,583.33	—	—	—
Subsidiary Companies:					
Preferred stocks.....	36,541,871.67	40,985,010.00	48,893,130.00	52,151,139.00	145,015.00
Common stocks and surplus applicable thereto...	275,316.83	2,087,764.84	2,721,468.21	3,884,091.31	3,400.00
Total capital stock and surplus.....	\$160,087,314.74	\$274,183,429.64	\$369,089,776.46	\$342,079,550.98	\$100,355,017.90
OBLIGATIONS convertible into stock at Company's option and obligations of equivalent rank.....	68,780,077.32	75,238,121.49	76,003,224.00	89,392,119.03	16,332,548.43
FUNDED DEBT:					
Associated Gas and Electric Company.....	254,426,664.04	244,106,769.70	194,152,255.00	160,334,705.00	106,869,541.00
Group companies, etc.....	67,653,069.15†	56,847,000.00	67,424,000.00	43,445,500.00	17,955,000.00
Operating companies.....	191,566,000.00†	181,941,500.00	126,828,025.00	118,943,488.54	26,680,050.00
Total funded debt.....	\$513,645,733.19	\$482,895,269.70	\$388,404,280.00	\$322,723,693.54	\$151,504,591.00
PURCHASE MONEY OBLIGATIONS	—	3,190,153.00	8,831,793.39	57,499,956.75	1,986,483.81
MATURED BONDS AND BOND INTEREST (contra).....	648,655.90	1,252,540.24	—	—	—
CURRENT LIABILITIES:					
Notes payable.....	5,160,399.73†	9,543,927.75	15,005,084.00	32,428,058.04	21,893,837.93
Advances from financing company.....	629,900.00†	—	—	—	—
Accounts payable.....	2,770,475.73	2,594,225.78	3,060,540.97	6,862,508.33	3,388,732.26
Accrued interest, dividends and miscellaneous accounts.....	9,579,104.15	10,579,384.75	10,227,875.98	10,469,741.14	3,521,729.62
Accrued taxes.....	2,545,795.79	2,440,988.17	2,523,661.19	3,984,398.95	1,610,466.41
Total current liabilities	\$ 20,685,675.40	\$ 24,958,526.45	\$ 30,817,162.14	\$ 53,744,706.46	\$ 30,414,766.22
CONSUMERS' DEPOSITS.....	4,134,587.00	4,084,632.05	3,716,830.82	4,813,958.94	1,950,523.59
RESERVES:					
Contingencies.....	38,000,000.00	20,000,000.00	—	—	—
Retirement reserve.....	51,919,171.37	46,459,974.94	40,159,863.43	28,200,377.38	14,439,574.63
Other reserves.....	9,821,164.90	8,975,870.81	4,985,863.31	2,037,179.82	1,530,988.68
Total reserves.....	\$ 99,740,336.27	\$ 75,435,845.75	\$ 45,145,726.74	\$ 30,237,557.20	\$ 15,970,563.31
TOTAL LIABILITIES SIDE AND CAPITAL.....	\$867,722,379.82	\$941,238,518.32	\$922,008,793.55	\$900,491,542.90	\$318,514,494.26

*Includes General Gas & Electric Corporation and Eastern Utilities Investing Corporation on consolidated basis.

†For statement of progress in provision for current maturities see page 4.

Associated Gas and Electric Company

and Subsidiaries

COMPARATIVE CONSOLIDATED INCOME ACCOUNT

(Excludes income of subsidiary companies prior to dates of acquisition)

	For years ended December 31st				
	1932*	1931*	1930	1929	1928
OPERATING REVENUES:					
Electric.....	\$66,182,889.65	\$69,379,210.81	\$63,921,577.29	\$54,878,680.51	\$24,531,431.00
Gas.....	11,617,219.62	12,423,570.49	12,061,832.39	9,636,030.66	4,490,146.54
Water, transportation, heat and miscellaneous.....	7,026,347.59	8,772,447.02	8,235,883.06	4,388,542.46	3,335,535.77
Total.....	\$84,826,456.86	\$90,575,228.32	\$84,219,292.74	\$68,903,253.63	\$32,357,113.31
OPERATING EXPENSES, MAINTENANCE AND TAXES.....	47,891,416.49	48,806,976.20	45,324,138.80	36,299,957.85	18,290,276.40
PROVISION FOR RETIREMENTS (RENEWALS, REPLACEMENTS) OF FIXED CAPITAL, ETC.....	7,251,309.08	8,310,493.53	4,849,192.79	3,371,076.72	1,830,454.52
Total.....	\$55,142,725.57	\$57,117,469.73	\$50,173,331.59	\$39,671,034.57	\$20,120,730.92
OPERATING INCOME.....	\$29,683,731.29	\$33,457,758.59	\$34,045,961.15	\$29,232,219.06	\$12,236,382.39
OTHER INCOME.....	3,038,904.13	6,284,895.36	9,403,759.56	10,637,660.27	3,934,755.50
GROSS INCOME.....	\$32,722,635.42	\$39,742,653.95	\$43,449,720.71	\$39,869,879.33	\$16,171,137.89
Less FIXED CHARGES AND OTHER DEDUCTIONS:					
Operating companies.....	11,875,509.76	10,427,749.11	7,782,611.86	7,676,841.19	605,427.90
Group companies, etc.....	4,062,501.88†	5,559,953.15†	2,594,977.65	2,530,476.18	2,784,382.20
Total.....	\$15,938,011.64	\$15,987,702.26	\$10,377,589.51	\$10,207,317.37	\$ 3,389,810.10
Balance.....	\$16,784,623.78	\$23,754,951.69	\$33,072,131.20	\$29,662,561.96	\$12,781,327.79
FIXED INTEREST REQUIREMENTS OF ASSOCIATED GAS AND ELECTRIC COMPANY:					
Interest on funded debt.....	12,366,102.73	11,156,551.45	11,250,372.31	7,763,685.06	4,072,947.72
Interest on unfunded debt.....	109,091.00	505,360.03	872,814.90	3,154,993.26	1,031,175.18
Total.....	\$12,475,193.73	\$11,661,911.48	\$12,123,187.21	\$10,918,678.32	\$ 5,104,122.90
Times earned "over-all":					
Before depreciation.....	1.40	1.74	2.15	2.05	2.12
After depreciation.....	1.15	1.44	1.93	1.89	1.90
		Ratio showing	number of times	interest is earned.	
BALANCE.....	\$ 4,309,430.05	\$12,095,040.21	\$20,948,943.99	\$18,743,883.64	\$ 7,677,204.89

*Includes General Gas & Electric Corporation and Eastern Utilities Investing Corporation on consolidated basis.

†Exclusive of that portion of charges ranking after fixed interest requirements of Associated Gas and Electric Company.

No charge is included in the above statement for amortization of debt discount and expense.

Associated Gas and Electric Company

and Subsidiaries

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Capital stock of Associated Gas and Electric Company	Shares held by public	Transfer agents	Registrars
		(see reference page 47)	
Preferred:			
Original Series—Cumulative (\$3.50).....	40,211	24	44
\$7.00 Series—Cumulative.....	97,036	24	44
\$6.50 Series—Cumulative.....	70,603	24	44
\$6.00 Series—Cumulative.....	104,985	24	1
\$5.50 Series—Cumulative.....	163	24	44
\$5.00 Series—Cumulative.....	24,426	24	3
Preference:			
\$6.50 Series—Cumulative.....	7,487	24	22
\$6.00 Series—Cumulative.....	2,779	24	25
\$5.50 Series—Cumulative.....	14,452	24	5
\$4.00 Series—Cumulative.....	46,385	24	44
Class A.....	4,563,800	13-16-19-24-47	3-15-17-18-22
Class B.....	1,000,000	51	
Common.....	1,209,137	13-24-47	14-15-22
Optional Stock Purchase Warrants.....	1,797,384*	24	44
Common Stock Purchase Warrants.....	74,138†	24	44

*Number of shares of Class A Stock issuable upon exercise of all outstanding warrants.

†Number of shares of Common Stock issuable upon exercise of all outstanding warrants.

Stocks, the majority of which are of equal rank with preferred and preference stocks of Associated Gas and Electric Company	Shares held by public	Transfer agents	Registrars
		(see reference page 47)	
EASTERN UTILITIES INVESTING CORPORATION:			
Prior Preferred—Cumulative (\$5.00).....	639	24	44
\$7.00 Preferred—Cumulative.....	3,744	24	44
\$6.00 Preferred—Cumulative.....	772	24	44
Participating Preference.....	1,133	24	46
Class A—Common.....	130,655	13-24-30	15-44-45
GENERAL GAS & ELECTRIC CORPORATION:			
\$8.00 Cumulative Preferred.....	10,899	51	1
\$7.00 Cumulative Preferred.....	15,451	51	1
\$6.00 Cumulative Convertible Preferred, Series A and B.....	146,781	51	23
Class A—Common.....	2,164,605	47-51	1-22
Class B—Common.....	12,394	51	1

Preferred stocks of subsidiary companies	Rate	Shares held by public	Dividend dates	Transfer agents	Registrars
				(see reference page 47)	
American Utilities Company—Cumulative.....	7	639	—	24	44
Broad River Power Company—Cumulative.....	7	4,744	—	24	44
The Clarion River Power Company—Participating.....	—	4,868.2	—	51	46
Empire Gas and Electric Company—Series A—Cumulative.....	6	1,471	MJSD-1	24	44
Empire Gas and Electric Company—Series C—Cumulative.....	7	7,366	MJSD-1	24	44
Empire Gas and Electric Company—Series D—Cumulative.....	6	2,615	MJSD-1	24	44
Florida Public Service Company—Cumulative.....	7	1,180	—	24	44
Metropolitan Edison Company—Cumulative.....	7	6,332	JAJO-1	24	44
Metropolitan Edison Company—Cumulative.....	6	107,259	JAJO-1	24	44
Metropolitan Edison Company—Cumulative.....	5	387	JAJO-1	24	44
New Jersey Power & Light Company—Cumulative.....	6	11,405	JAJO-1	24	44
New Jersey Power & Light Company—Cumulative.....	5	18	JAJO-1	24	44
New York Central Electric Corporation—Cumulative.....	7	24,683	—	24	44
Ohio-Midland Light and Power Company—Cumulative.....	5	133.52	—	51	—
Rochester Central Power Corporation—Cumulative.....	6	16,775	—	24	44
Rochester Gas and Electric Corporation—Cumulative Series B.....	7	30,939	MJSD-1	24-28	3-49
Rochester Gas and Electric Corporation—Cumulative Series C.....	6	17,790	MJSD-1	24-28	3-49
Rochester Gas and Electric Corporation—Cumulative Series D.....	6	126,385	MJSD-1	24-28	3-49
Southern Ice and Utilities Company—Cumulative.....	7	391	—	24	44
Southern Ice and Utilities Company—Participating Cumulative.....	7	38	—	24	44

Associated Gas and Electric Company

and Subsidiaries

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Common stocks of subsidiary companies	Shares held by public	Transfer agents	Registrars
		(see reference page 47)	
American Utilities Company.....	332	24	44
The Associated Utilities Investing Corporation—Class A.....	136*	24	44
Cold Spring Light, Heat and Power Company.....	15†	51	—
Metropolitan Edison Company.....	146*	24	44
Ohio-Midland Light and Power Company—Class A.....	211.62	51	—
Rochester Central Power Corporation.....	6,989	24	44
Southern Ice and Utilities Company—Class A.....	1,298	24	44
Southern Ice and Utilities Company—Class B.....	4,402	24	44
West Virginia Light, Heat and Power Company.....	345	51	—

*Shares held by public December 31, 1932 have been acquired since that date.

†The property of this company has been sold since December 31, 1932, subject to approval of regulatory commission.

Obligations of Associated Gas and Electric Company convertible into stock at Company's option	Interest rate %	Amount held by public	Interest dates	Interest payable at	Transfer agents
				(see reference page 47)	
Convertible Obligations, Series A.....	7	\$ 4,932,050.00	F-M-A-N-15	47	24
Convertible Obligations, Series A.....	6½	1,638,600.00	F-M-A-N-15	47	24
Convertible Obligations, Series A.....	6	32,420,250.00	M-J-S-D-1	47	24
Convertible Obligations, Series A.....	5½	634,771.00	F-M-A-N-15	47	24
Convertible Obligations, Series A.....	5	19,951,500.00	F-M-A-N-15	47	24
Convertible Obligations, Series B.....	6	1,971,500.00	M-J-S-D-1	47	24
Miscellaneous.....	—	965,406.32	—	—	—
Total.....		\$62,514,077.32			

Obligations of equivalent rank with obligations convertible into stock at Company's option of Associated Gas and Electric Company	Interest rate %	Amount held by public	Interest dates	Interest payable at	Trustee
				(see reference page 47)	
EASTERN UTILITIES INVESTING CORPORATION:					
Gold Debentures, due 1954.....	5	\$ 6,266,000.00	M & S-15	24	2

Funded debt of Associated Gas and Electric Company	Interest rate %	Amount held by public	Interest dates	Interest payable at	Trustee
				(see reference page 47)	
Convertible Gold Debentures, due 1977.....	5½	\$ 7,501,000.00	F & A-1	24	2
Gold Debenture Bonds, Consolidated Refunding:					
Series due 1968.....	5	84,974,630.00	A & O-1	24-47	3
Series due 1958.....	4½	16,995,600.00	M & N-1	24-47	1
Convertible Gold Debentures, due 1950.....	5	50,644,100.00	F & A-1	24-47	25
Convertible Gold Debentures, due 1949.....	4½	66,818,200.00	J & J-15	24-47	1
Convertible Gold Debentures, due 1948.....	4½	3,944,900.00	M & S-1	24-47	2
Convertible Investment Certificates.....	5½	17,044,780.00	M & N-15*	24-47	24†
Convertible Debenture Bonds, due 1965.....	5	6,074,990.00	M & N-15	24-47	4
Gold Debenture Bonds, due 2875.....	5	31,000.00	J & J-1	24-47	1
Miscellaneous.....	—	597,464.04	—	—	—
Total.....		\$254,426,664.04			

*Registered F-M-A-N-15. †Transfer agent.

Associated Gas and Electric Company and Subsidiaries

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded debt of group companies, etc.	Interest rate %	Amount held by public	Interest dates	Interest payable at (see reference page 47)	Trustee
AMERICAN UTILITIES COMPANY:					
First Lien and Refunding, Series A, due 1945.....	6	\$ 460,500.00	J & D-1	1	1
Gold Debentures, due 1941.....	6½	69,500.00	M & N-1	1-8	1
City of Rolla, Mo. (assumed) due serially to 1941.....	6	13,000.00	F & A-1	12	—
ASSOCIATED ELECTRIC COMPANY:					
Gold Bonds, due 1955.....	4½	16,721,000.00	J & J-1	24-47	3
Gold Bonds, due 1961.....	5	32,809,500.00	J & J-1	24-47	3
ASSOCIATED GAS AND ELECTRIC CORPORATION:					
Eight Year Gold Bonds, due 1940.....	8	7,413,820.00	M & S-15	24-47	23
W. S. BARSTOW & COMPANY:					
Sinking Fund Gold Debentures, due 1942.....	6	655,000.00	A & O-1	1-48	1
GENERAL GAS & ELECTRIC CORPORATION:					
Gold Notes, due serially to 1935.....	5	2,661,000.00	F & A-15	24	1
Interest Bearing Scrip, due 1937 and 1938.....	7	1,056,068.65	†	—	24‡
THE METROPOLITAN EDISON CORPORATION:					
Secured Consolidated Refunding, due 1961.....	6	592,300.00	M & S-1	24-47	1
THE MOHAWK VALLEY COMPANY:					
Consolidated Refunding, due 1991.....	6	636,700.00	M & N-1	24-47	1
Gold Debentures, due 2031.....	6	147,600.00	A & O-1	24-47	25*
ROCHESTER CENTRAL POWER CORPORATION:					
Gold Debentures, Series A, due 1953.....	5	4,337,000.00	M & S-1	24	7
Interest Bearing Scrip, due 1937 and 1938.....	6	80,080.50	†	—	24‡
Total.....		\$67,653,069.15			

*Authenticating agent. †Interest payable at maturity. ‡Transfer agent.

Funded debt of operating companies	Interest rate %	Amount held by public	Interest dates	Interest payable at (see reference page 47)	Trustee
BINGHAMTON LIGHT, HEAT & POWER CO.:					
First Refunding Mortgage, due 1946.....	5	\$ 6,971,000	A & O-1	24-47	3
BROAD RIVER POWER COMPANY:					
First and Refunding Mortgage, Series A, due 1954.....	5	3,988,000	M & S-1	3-17	3
Secured Sinking Fund, due 1934.....	6½	469,700	M & N-1	1-48	1
CANADEA POWER CORPORATION:					
First Mortgage, due 1958.....	5	2,000,000	A & O-1	10	11
CHASM POWER COMPANY:					
First Mortgage, due serially to 1955.....	5	20,000	A & O-15	32	32
CITIZENS LIGHT, HEAT & POWER COMPANY OF PENNSYLVANIA:					
First Mortgage, due 1934.....	5	963,000	M & N-1	16-26-27	20
COLUMBIA RAILWAY, GAS AND ELECTRIC COMPANY:					
First Mortgage Sinking Fund, due 1936.....	5	1,524,000	J & J-1	24	4
DELAWARE GAS LIGHT COMPANY:					
First Mortgage, due 1939.....	5	143,000	J & J-1	33	33
DEPEW AND LANCASTER LIGHT, POWER AND CONDUIT COMPANY:					
First Mortgage, due 1954.....	5	412,900	F & A-1	35	35
ELMIRA WATER, LIGHT AND RAILROAD COMPANY:					
First Consolidated Mortgage, due 1956.....	5	4,967,000	M & S-1	2	2
EMPIRE GAS AND ELECTRIC COMPANY:					
General and Refunding Mortgage, Series A, due 1952.....	6	1,848,000	J & D-1	4	4
EMPIRE GAS AND ELECTRIC CO. AND EMPIRE COKE CO.:					
Joint First and Refunding Mortgage, due 1941.....	5	2,669,000	M & S-1	8	8
ERIE LIGHTING COMPANY:					
First Mortgage Sinking Fund, due 1967.....	5	4,776,000	A & O-1	8	8
FLORIDA PUBLIC SERVICE COMPANY:					
First Mortgage, Series B, due 1955.....	6	2,495,900	A & O-1	17-24-38	38
First Mortgage, Series A, due 1949.....	6½	461,600	F & A-1	17-24-38	38
Secured Gold Bonds, due 1954.....	7	189,300	F & A-1	24-31-42	31
FRANKFORT WATER COMPANY:					
First Mortgage Sinking Fund, due 1936.....	5	101,000	J & J-1	21	21

Associated Gas and Electric Company and Subsidiaries

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded debt of operating companies	Interest rate %	Amount held by public	Interest dates	Interest payable at (see reference page 47)	Trustee
GENESEE VALLEY POWER COMPANY, INC.: First Mortgage, due serially to 1957	6	\$ 91,500	A & O-1	36	36
GRANVILLE ELECTRIC AND GAS COMPANY: Consolidated Mortgage, due 1933	5	24,500	A & O-1	34	34
INDIANA GAS UTILITIES COMPANY: First Mortgage, due 1946	5	784,000	J & J-1	16-26-27	3
JEFFERSON ELECTRIC COMPANY: First Mortgage, due 1933	5	90,000	M & S-1	37	37
THE LAKE SHORE GAS COMPANY: First Mortgage, due 1950	5½	573,000	M & N-1	26	3
LEXINGTON WATER POWER COMPANY: First Mortgage, due 1968	5	9,013,400	J & J-1	1-17	1
Convertible Sinking Fund Debentures, due 1953	5½	2,902,000	J & J-1	3-48	3
LOCKPORT LIGHT, HEAT AND POWER COMPANY: First Mortgage, Series A, due 1954	5½	1,218,000	M & N-1	2	2
LONG ISLAND WATER CORPORATION: First Mortgage, due 1955	5½	2,123,000	M & N-1	24	3
MANILA ELECTRIC COMPANY: First Refunding Mortgage, due 1946	5	50,000	M & S-1	1	1
THE MANILA ELECTRIC RAILROAD AND LIGHTING CORP.: First Lien and Collateral Trust, due 1953	5	826,000	M & S-1	24	1
THE MANILA SUBURBAN RAILWAYS COMPANY: First Mortgage, due 1946	5	53,000	M & S-1	24	2
METROPOLITAN EDISON COMPANY: First and Refunding Mortgage, Series C, due 1953	5	6,413,600	J & J-1	3-17	3
First Mortgage, Series D, due 1968	4½	22,091,200	M & S-1	3-17	3
First Mortgage, Series E, due 1971	4	4,681,000	M & N-1	24-47	3
First Mortgage, Series F, due 1962	5	5,448,100	M & N-1	24-47	3
NEW JERSEY POWER & LIGHT COMPANY: First Mortgage, due 1960	4½	13,489,000	A & O-1	24-47	3
NEW YORK CENTRAL ELECTRIC CORPORATION: First Mortgage, due 1950	5½	3,174,000	M & S-1	24-47	2
First Mortgage, due 1952	5	753,000	J & J-1	24	2
NEW YORK STATE ELECTRIC & GAS CORPORATION: First Mortgage, due 1962	5½	3,678,000	A & O-1	1	1
First Mortgage, due 1952	6	369,000	J & J-1	1	1
First Mortgage, due 1980	4½	11,684,800	M & S-1	24-47	1
First Mortgage, due 1960	4½	563,000	M & S-1	24-47	1
NORTHERN PENNSYLVANIA POWER COMPANY: First and Refunding Mortgage, Series A, due 1956	5	1,459,900	J & D-1	3-8	3
First and Refunding Mortgage, due 1962	5	1,389,200	A & O-15	24-47	3
THE PARR SHOALS POWER COMPANY: First Mortgage Sinking Fund, due 1952	5	2,191,000	A & O-1	1	4
PENN PUBLIC SERVICE CORPORATION: First and Refunding Mortgage, Series C, due 1947	6	4,369,000	M & N-1	29	6
First and Refunding Mortgage, Series D, due 1954	5	2,369,000	J & D-1	24-47	6
PENNSYLVANIA ELECTRIC COMPANY: Convertible Gold Notes, due 1935	7½	105,000	F & A-1	24	1*
Convertible Gold Notes, due 1935	6½	857,000	F & A-1	24	1*
First and Refunding Mortgage, Series H, due 1962	5	8,823,000	A & O-15	24-47	6
First and Refunding Mortgage, Series F, due 1971	4	5,483,000	M & N-1	24-47	6
PLATTSBURGH GAS & ELECTRIC COMPANY: First Mortgage, due 1939	5	235,000	M & S-1	6	6
RICHMOND LIGHT AND RAILROAD COMPANY: First and Collateral Trust, due 1952	4	1,000,000	J & J-1	3	3
ROCHESTER GAS AND ELECTRIC CORPORATION: General Mortgage, Series C, due 1948	5½	3,978,000	M & S-1	24-47	6
General Mortgage, Series D, due 1977	4½	5,998,000	M & S-1	24-47	6
General Mortgage, Series E, due 1962	5	8,228,000	M & S-1	24-47	6

*Authenticating agent.

Associated Gas and Electric Company and Subsidiaries

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded debt of operating companies	Interest rate %	Amount held by public	Interest dates	Interest payable at	Trustee
				(see reference below)	
ROCHESTER RAILWAY AND LIGHT COMPANY: Consolidated Mortgage, due 1954.....	5	\$10,777,900	J & J-1	11-24-28	11
ROOSEVELT WATER, POWER AND LIGHT COMPANY: First Mortgage, due serially to 1944.....	6	14,000	F & A-1	39	39
SAYRE ELECTRIC COMPANY: First Mortgage, due 1947.....	5	367,500	A & O-1	41	40
THE SCIOTO VALLEY RAILWAY AND POWER COMPANY: First Mortgage, due 1943.....	6	1,134,000	J & D-1	29-50	50
SENECA POWER CORPORATION: First Mortgage, due 1946.....	6	387,500	M & S-1	7	7
SOUTHERN ICE AND UTILITIES COMPANY: First Mortgage, Convertible, due 1946.....	6	282,500	F & A-1	1	1
STATEN ISLAND EDISON CORPORATION: Refunding and Improvement Mortgage, due 1933.....	6	5,562,000	J & D-14	24	4
TRACY DEVELOPMENT COMPANY: First Mortgage, due 1944.....	6	228,000	A & O-1	7	7
UNION GAS & ELECTRIC COMPANY: First Mortgage, due 1935.....	5	463,000	M & S-1	43	43
YORK HAVEN WATER AND POWER COMPANY: Gold Bonds, due 1951.....	5	1,247,500	J & D-1	9	9
MISCELLANEOUS.....	—	524,500	—	—	—
Total.....		\$191,566,000			

REFERENCE

Index—Trustees of Mortgages, Paying Agents and Registrars and Transfer Agents for Stock

- | | |
|---|--|
| <p>1 The Chase National Bank of the City of New York</p> <p>2 The New York Trust Company, New York</p> <p>3 Guaranty Trust Company of New York</p> <p>4 Irving Trust Company, New York</p> <p>5 The Equitable Trust Company of New York</p> <p>6 Bankers Trust Company, New York</p> <p>7 Manufacturers Trust Company, New York</p> <p>8 The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Penna.</p> <p>9 The Real Estate-Land Title and Trust Company, Philadelphia, Penna.</p> <p>10 J. P. Morgan & Company, New York</p> <p>11 Security Trust Company of Rochester (N. Y.)</p> <p>12 Franklin-American Trust Company, St. Louis, Mo.</p> <p>13 Harris Forbes Trust Company, Boston, Mass.</p> <p>14 Colonial Trust Company, New York</p> <p>15 The First National Bank of Boston (Mass.)</p> <p>16 Harris Trust and Savings Bank, Chicago, Ill.</p> <p>17 Continental Illinois Bank and Trust Co., Chicago, Ill.</p> <p>18 Security First National Bank of Los Angeles (Cal.)</p> <p>19 Bank of America-National Trust and Savings Association, Los Angeles, Cal.</p> <p>20 Chemical Bank & Trust Company, New York</p> <p>21 Fidelity and Columbia Trust Company, Louisville, Ky.</p> <p>22 First National Bank of Ithaca (N. Y.)</p> <p>23 Central Hanover Bank and Trust Company, New York</p> <p>24* Transfer and Coupon Paying Agency, 61 Broadway, New York</p> <p>25 The Public National Bank and Trust Co. of New York</p> | <p>26 Chase Harris Forbes Corporation, New York</p> <p>27 Chase Harris Forbes Corporation, Boston, Mass.</p> <p>28 Rochester Gas and Electric Corp., Rochester, N. Y.</p> <p>29 The First National Bank of the City of New York</p> <p>30 Transfer Agency Co., Inc., Dover, Del.</p> <p>31 The Atlantic National Bank of Jacksonville (Fla.)</p> <p>32 First National Bank of Chateaugay (N. Y.)</p> <p>33 The Easton Trust Company, Easton, Penna.</p> <p>34 The Troy Trust Company, Troy, N. Y.</p> <p>35 M & T Trust Company, Buffalo, N. Y.</p> <p>36 Exchange National Bank of Olean (N. Y.)</p> <p>37 Scranton Lackawanna Trust Co., Scranton, Penna.</p> <p>38 The Florida National Bank of Jacksonville (Fla.)</p> <p>39 Nassau County Trust Company, Mineola, N. Y.</p> <p>40 Miners Bank of Wilkes-Barre (Penna.)</p> <p>41 Girard Trust Company, Philadelphia, Penna.</p> <p>42 The First National Bank of Chicago (Ill.)</p> <p>43 First Union Trust and Savings Bank, Chicago, Ill.</p> <p>44 W. A. Davies, H. B. Brown and J. J. McCarthy, 120 Wall St., New York</p> <p>45 United States Corporation Company, Dover, Del.</p> <p>46 J. F. McKenna and Others, 61 Broadway, New York</p> <p>47* The Company, Ithaca, N. Y.</p> <p>48 Central Republic Trust Company, Chicago, Ill.</p> <p>49 Lincoln-Alliance Bank and Trust Co., Rochester, N. Y.</p> <p>50 The Huntington National Bank of Columbus (Ohio)</p> <p>51 The Company, or Agency of the Company, 61 Broadway, New York.</p> |
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*Interest Payments—Coupons at 24 and registered at 47.

Operating Subsidiaries of Associated Gas and Electric Company

HAVING NO SECURITIES OUTSTANDING WITH THE PUBLIC

ARIZONA

Arizona General Utilities Company

ARKANSAS

Arkansas General Utilities Company

CONNECTICUT

The Litchfield Electric Light and Power Company

DELAWARE

The Dover Gas Light Company

FLORIDA

Sanford Gas Company

INDIANA

Loogootee Water Company
Ohio River Power Company
Rising Sun Water & Light Company

KENTUCKY

Hopkinsville Water Company
The Owensboro Gas Company

LOUISIANA

Louisiana Public Utilities Co., Inc.

MARYLAND

Associated Maryland Electric Power Corporation
The Maryland Public Service Company
Youghiogheny Hydro-Electric Corporation

MISSOURI

Missouri General Utilities Company
Missouri Southern Public Service Company

NEW JERSEY

Associated Public Utilities Corporation

NEW MEXICO

The Tucumcari Light and Power Company

NEW YORK

Owego Gas Corporation
The Patchogue Electric Light Company
Spring Brook Water Company

OHIO

The Hilliard Light and Power Company
The Jefferson Gas Company
The New Matamoras Electric Company
The New Washington Electric Company
The North Baltimore Water and Electric Company
The Paint Township Light and Power Company
The Portsmouth Gas Company
The Van Wert Gas Light Company
The Wyandot Light & Power Company

OKLAHOMA

Panhandle Public Service Company

PENNSYLVANIA

Clarion Water Company
Johnstown Fuel Supply Company
Penelec Water Company
Solar Electric Company

SOUTH DAKOTA

Sioux Falls Gas Company

TENNESSEE

Dover Power Company
Southern Utilities Company
Tennessee General Utilities Company

TEXAS

Texas General Utilities Company

VERMONT

Granville Electric Company

PHILIPPINE ISLANDS

Escudero Electric Service Company
North Electric Company

ASSOCIATED GAS AND ELECTRIC CORPORATION



ANNUAL REPORT
1933

ASSOCIATED GAS AND ELECTRIC CORPORATION



ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1933

ASSOCIATED GAS AND ELECTRIC CORPORATION

(Incorporated under the laws of the State of Delaware, June 7, 1922)

Officers

J. I. MANGE, <i>President</i>	New York
F. S. BURROUGHS, <i>Vice-President</i>	New York
J. M. DALY, <i>Vice-President</i>	New York
H. C. HOPSON, <i>Vice-President</i>	New York
S. J. MAGEE, <i>Vice-President</i>	New York
O. E. WASSER, <i>Comptroller</i>	Ithaca, N. Y.
G. A. ARONSON, <i>Secretary</i>	New York
J. L. RICE, JR., <i>Treasurer</i>	New York

Directors

FREDERICK S. BURROUGHS New York Vice-President	SANFORD J. MAGEE New York Vice-President
JOHN M. DALY New York Vice-President	JOHN I. MANGE New York President
HOWARD C. HOPSON New York Vice-President	DANIEL STARCH New York Daniel Starch and Staff

PRINCIPAL OFFICE Dover, Delaware

MANAGERS—OPERATING PROPERTIES

THE UTILITY MANAGEMENT CORPORATION

120 WALL STREET, NEW YORK

This report is not a representation, prospectus or circular with respect to any securities of any corporation and is not transmitted in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued or with any preliminary negotiation of or for such sales.

ASSOCIATED GAS AND ELECTRIC CORPORATION

ANNUAL REPORT

For the Year Ended December 31, 1933

UNIT SALES of electricity and gas during 1933 exceeded 1932 sales by 5.0% and 1.7% respectively. Despite this fact, gross operating revenues in 1933 were 4.1% lower than in the previous year. Increases in output were not accompanied by corresponding increases in revenues because the bulk of the increased sales was made to industrial users who pay rates in the lowest brackets, and because rate reductions to residential users of electricity resulted in smaller revenue per customer.

Operating economies were effected without interfering unduly with standards of service, but efforts along this line were nullified by higher taxes and by higher labor and material costs incident to the N.R.A. There was a balance of income for the year, on a consolidated basis, of \$9,777,583.73.

Comparison of Operating Results of Corporation and Subsidiaries

	Years ended December 31		Decrease	
	1933	1932†	Amount	%
Gross Operating Revenues.....	\$81,331,301.24	\$84,826,456.86	\$3,495,155.62	4.1
Operating Expenses, Maintenance, etc.....	\$40,854,769.15	\$40,771,013.68	\$ 83,755.47*	.2*
Taxes	7,681,516.18	6,131,437.78	1,550,078.40*	25.2*
Provision for Retirements.....	6,815,360.98	7,251,309.08	435,948.10	6.0
TOTAL OPERATING EXPENSES, TAXES, ETC.....	\$55,351,646.31	\$54,153,760.54	\$1,197,885.77*	2.2*
Net Operating Revenue.....	\$25,979,654.93	\$30,672,696.32	\$4,693,041.39	15.3
Other Income	1,807,126.06	2,886,875.60	1,079,749.54	37.4
Gross Income	\$27,786,780.99	\$33,559,571.92	\$5,772,790.93	17.2
Deductions from Income:				
Operating Utility Companies.....	\$12,380,330.07	\$12,772,268.05	\$ 391,937.98	3.0
Group Companies, etc.....	3,972,151.17	4,347,644.37	375,493.20	8.6
Associated Gas and Electric Corporation.....	1,656,716.02	636,940.94	1,019,775.08*	160.1*
TOTAL DEDUCTIONS FROM INCOME.....	\$18,009,197.26	\$17,756,853.36	\$ 252,343.90*	1.4*
BALANCE	\$ 9,777,583.73	\$15,802,718.56	\$6,025,134.83	38.1

* Increase.

† Revised to be on comparable basis with 1933, except as to interest paid to Associated Gas and Electric Company by Associated Gas and Electric Corporation.

The above statement excludes all income received or receivable from Associated Gas and Electric Company and all deductions dependent thereon.

Fixed deductions from income include amortization of debt discount and expense.

Income for the year ended December 31, 1933 was also reduced as the result of a change in accounting policy with respect to the treatment of amortization of debt discount and expense of the Corporation and subsidiaries. The item has been included in the income statement, so as more accurately to portray the total actual interest charge for long term borrowings, although such amortization of course involves no current cash outlay and the low price of most corporate interest-bearing obligations causes the current yield basis to have the greatest significance to the average investor. The debt discount and expense subject to future amortization, which had previously been charged to capital surplus, was restored to the balance sheet.

Under date of May 15, 1933, Associated Gas and Electric Company, of which Associated Gas and Electric Corporation is the immediate subsidiary, announced to the holders of its Deben-

tures its Plan of Rearrangement of Debt Capitalization. Holders were given the privilege of exchanging Debentures of Associated Gas and Electric Company for Convertible Debentures, due 1973 or Income Debentures, due 1978 of Associated Gas and Electric Corporation. The principal amount of the two classes of Debentures issued during 1933 in connection with the Plan was \$65,610,535.00.

As these Debentures were not outstanding for the full twelve-months' period, and as the principal amount outstanding has been greatly increased since December 31, 1933 by additional exchanges under the Plan, the interest charges of Associated Gas and Electric Corporation for the year ended December 31, 1933 are not representative of what they will be in the future. The following is a statement of funded debt outstanding October 31, 1934, and annual interest charges of the Corporation thereon:

	<i>Principal Amount</i>	<i>Annual Interest</i>
8% Bonds, due 1940	\$ 9,585,300	\$ 766,824.00
Convertible Debentures, due 1973	50,000,000	2,406,940.60
Total fixed interest obligations	\$ 59,585,300	\$3,173,764.60
Income Debentures, due 1978	56,680,486	2,221,226.35
Grand total	\$116,265,786	\$5,394,990.95

The principal change in consolidated capitalization during the year 1933 was the issuance of Convertible Debentures, due 1973, and Income Debentures, due 1978, of Associated Gas and Electric Corporation in connection with the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company. There were also changes as the result of exchange offers for underlying issues and on account of the retirement and extension of maturing issues, etc. Details of changes in consolidated capitalization will be found on pages 16 and 17.

In view of the uncertainties affecting price levels and the value of investments, Associated Gas and Electric Corporation transferred \$168,000,000 from capital surplus to reserve for contingencies in 1932. Of this amount, \$130,000,000 has been applied in consolidation against

investments in subsidiaries and \$2,000,000 has been used to reduce the investments in subsidiary companies not consolidated, leaving a balance of \$36,000,000 in the consolidated reserve for contingencies at December 31, 1933.

The consolidated Reserve for Federal Income Taxes at December 31, 1933 amounted to \$6,533,627.43. Additional taxes have been asserted for years examined (in most instances through 1928), and there are indications of additional assertions for subsequent years. The assertions are being contested, and on the basis of determinations for closed years, the final liability should be materially less than the amount reserved, but, owing to the various issues involved, cannot at this time be estimated.

The absence of a bond or security market, caused largely by the stringent regulations of the

Securities Act, has made it difficult to finance maturing obligations. Despite this fact, all 1934 maturities of funded debt had been provided for

at the date of publication of this report. The progress made in reducing maturing obligations is shown in the following table:

	<i>Obligations Maturing In</i>		
	1934-1935	1934-1935	1933-1934-1935
	<i>Outstanding At Oct. 31, 1934</i>	<i>Outstanding At Dec. 31, 1933</i>	<i>Outstanding At Dec. 31, 1932</i>
Notes payable and advances from financing companies.....	\$5,930,581	\$ 3,916,601	\$ 5,790,300
Funded debt of operating companies.....	477,000	5,377,100	8,748,500
Other maturing obligations.....	559,700	1,166,500	2,663,000
Funded debt of subsidiaries past due.....	—	150,000	50,500
Total	\$6,967,281	\$10,610,201	\$17,252,300

Promotional efforts of the New Business Department helped to offset the declines in revenue brought about by lower rates, losses of customers and curtailment of service by existing customers. The Employee Business Building Plan was particularly successful in obtaining prospects for electric and gas appliances. Continuous efforts are being made to give assistance to all retail organizations engaged in the distribution of electric and gas appliances.

Taxes, which have risen at an alarming rate, have been further increased by the Revenue Act passed by the last session of Congress. Companies under common ownership are no longer allowed to file consolidated Federal income tax returns, which have been permitted since 1921. Each subsidiary company is subject to tax on its own account, thus making it impossible to apply the interest charges of the parent company against the free earnings of subsidiaries and compute the tax on the net income of the entire group. The new law is particularly severe on groups such as the Associated, which have kept underlying debt at a minimum and provided for major financing with interest-bearing holding company securities.

Rate reductions during the year 1933 among operating subsidiary companies were substantial, those in New York State alone being estimated to amount to \$1,500,000 annually. Hostile legislation has also added to the future uncertainty of the public utility business. In April, 1934, ten

bills affecting utilities became law in New York State. Some of these bills are exceedingly dangerous to the interests of utility security holders.

There is continued agitation to force a wholesale reduction of utility rates regardless of the effect on the economic structure of the companies or their ability to serve the public adequately. The proponents of these rate reductions completely ignore the fact that rates have been steadily and voluntarily reduced, that the cost of operating has mounted due to the increase of wages, the lessening of working hours and greater cost of material used, and that the tax burden of the utility industry has risen to almost unbelievable heights. Even if successful in accomplishing this purpose the benefit to the average domestic consumer would be negligible in amount but, taken in the aggregate, would ruin a most essential industry.

In accordance with established policy, the accounts of the Corporation and of the constituent companies have been examined by Messrs. Haskins & Sells, Certified Public Accountants, except the Manila companies, which have been audited by other certified public accountants. A copy of the report of Messrs. Haskins & Sells will be found on pages 6 to 14.

Respectfully submitted,

FOR THE BOARD OF DIRECTORS,

J. I. MANGE,
President.

November 20, 1934.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

15 BROAD STREET
NEW YORK

ASSOCIATED GAS AND ELECTRIC CORPORATION
AND SUBSIDIARY COMPANIES

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS

EXHIBIT A — CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1933.

EXHIBIT B — STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31, 1933.

EXHIBIT C — STATEMENTS OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1933.

PARENT COMPANY STATEMENTS

EXHIBIT D — BALANCE SHEET, DECEMBER 31, 1933.

EXHIBIT E — STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1933.

EXHIBIT F — STATEMENTS OF CORPORATE AND CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1933.

New York,
September 29, 1934.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

15 BROAD STREET

NEW YORK

ACCOUNTANTS' REPORT

Associated Gas and Electric Corporation:

We have made an examination of the balance sheet of Associated Gas and Electric Corporation and the consolidated balance sheet of the corporation and subsidiary companies as of December 31, 1933, and of the related statements of income and surplus for the year 1933. In connection therewith we examined or tested accounting records and other supporting evidence of the corporation and of the subsidiary companies included in the consolidation, excepting the Manila companies, but we did not make a detailed audit of the transactions. In accordance with the parent company's practice the accounts of the Manila companies, which were not examined by us, are included in the consolidated statements on the basis of companies' reports as of October 31, 1933, adjusted for November and December, 1933, earnings.

Fixed capital (plant, property, equipment, etc.) has, with minor exceptions, been revalued as of dates prior to 1933 at estimated reproduction cost including an allowance for going value and other intangibles. The related retirement reserves were also adjusted in this connection. We have not undertaken to verify these valuations. The capital surplus resulting from these revaluations has been eliminated in consolidation against the carrying value of investments in subsidiary companies.

Investments are carried at cost or companies' valuations and do not purport to represent realizable values at December 31, 1933.

In the consolidated balance sheet \$130,000,000 of the \$168,000,000 reserve for contingencies created by Associated Gas and Electric Corporation in 1932 from capital surplus has been applied, as in 1932, against investments in consolidated subsidiaries, and in addition at December 31, 1933, \$2,000,000 of the reserve has been applied in consolidation against investments in subsidiary companies not consolidated, leaving a balance of \$36,000,000 in the reserve for contingencies in the consolidated balance sheet at December 31, 1933.

It is the policy of the operating companies, in general, to make provision for retirements in amounts which, when added to maintenance expenditures, equal fixed percentages of gross operating revenues, less gas or power purchased, rather than on the basis of the amortization of fixed capital over the estimated life. As a result of this policy no provision for retirements was made during the year in the case of certain minor companies.

During the year the policy of deducting debt discount and expense from capital surplus was discontinued, except in the case of certain discounts or premiums absorbed by holding companies on notes or bonds of subsidiaries, and the policy of amortizing such discount and expense over the life of the indebtedness by charges to operations was adopted. In this connection adjustments were made to restate the accounts to this basis as of January 1, 1933.

Certain of the underlying companies take up as earnings, available for interest and/or dividend charges, the undistributed earnings of their subsidiaries. The income of Associated Gas and Electric Corporation from subsidiaries as shown in the accompanying statement of income on a parent company basis includes credits for interest and/or dividends out of such earnings.

In our opinion, subject to the foregoing and to final determination of liability for Federal income taxes, the accompanying balance sheets and related statements of income and surplus, with notations thereon, of Associated Gas and Electric Corporation and of the corporation and subsidiary companies consolidated, fairly present the financial condition as of December 31, 1933, and the results of operations for the year ended that date.

Haskins Sells

New York,
September 29, 1934.

Associated Gas and Electric Corporation

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1933

ASSETS

FIXED CAPITAL:

Plant, property, equipment, etc. (including going value and other intangibles) at estimated reproduction cost (with minor exceptions) at various dates of revaluation plus subsequent additions at cost, less retirements, and \$103,309,552.67 uneliminated balance of investments in subsidiaries..... \$746,359,298.08

INVESTMENTS—AT COST OR COMPANIES' VALUATION:

In subsidiary companies not consolidated and affiliated companies (including advances, open accounts, etc.)	\$47,778,706.07	
Investments (of subsidiaries) in Associated Gas and Electric Company (less reserve, \$84,713,239.95) (approximate market value, \$1,600,000.00, based on quotations for nominal transactions)	56,442,177.83	
Other (consists principally of securities carried in a group valuation; market value of securities for which quotations are available, approximately \$2,140,000)	24,605,306.26	128,826,190.16

SPECIAL DEPOSITS FOR SINKING FUNDS, ETC.	505,980.51
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SPECIAL DEPOSITS FOR MATURED BOND INTEREST, ETC. (contra)	797,509.92
---	------------

CASH (including working funds)	6,825,431.99
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TIME CERTIFICATES OF DEPOSIT	200,000.00
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ACCOUNTS RECEIVABLE:

Consumers	\$ 7,273,997.40
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Appliances and miscellaneous (including \$837,251.33 appliance accounts pledged against advances from financing companies; and \$240,022.33 miscellaneous accounts due from officers and employees)	3,050,561.33
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TOTAL	\$10,324,558.73
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Less reserve for doubtful accounts	1,146,219.22	9,178,339.51
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MATERIALS AND SUPPLIES AND MERCHANDISE (book inventories)	3,855,291.27
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PREPAID EXPENSES	448,547.18
------------------------	------------

UNAMORTIZED DEBT DISCOUNT AND EXPENSE	9,592,769.17
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MISCELLANEOUS UNADJUSTED DEBITS (including balances in closed banks, \$275,247.62)	1,204,643.31
--	--------------

TOTAL	\$907,794,001.10
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NOTATIONS: Certain securities of subsidiary companies which eliminate in the above statement are pledged as collateral to funded debt and notes payable or deposited under escrow or other agreements. There has also been pledged as collateral under an indenture covering funded debt of a subsidiary company, securities representing investments in Associated Gas and Electric Company included in the above statement at \$5,782,500.

Interest was past due on certain bonds of subsidiary companies at December 31, 1933. The principal amounts of such bonds held by the public were as follows: American Utilities Company 6s, due 1945, \$410,500 and 6½s, due 1941, \$50,000; Florida Public Service Company 6s, due 1955, \$1,623,800 and 7s, due 1934, \$107,900; General Gas & Electric Corporation 5s, due 1933 to 1935, \$970,000 (including \$133,000 principal also past due); Rochester Central Power Corporation 5s, due 1953, \$2,401,500; Southern Ice and Utilities Company 6½s, due 1932, \$17,000 (principal also past due). Provision, however, has been made in the above statement for the interest accrued to December 31, 1933.

Dividends were in arrears at December 31, 1933, on preferred stocks of the following subsidiary companies: American Utilities Company, Broad River Power Company, Florida Public Service Company, General Gas & Electric Corporation, New York Central Electric Corporation, Ohio-Midland Light and Power Company, Rochester Central Power Corporation, and Southern Ice and Utilities Company. Provision, however, has been made for accrued dividends to December 31, 1933, on these stocks in the above statement except dividends amounting to \$30,894.50 on the stocks of American Utilities Company and Southern Ice and Utilities Company.

Certain intercompany investments in bonds and preferred stocks which eliminate in the above statement are subject to a purchase option given to a group of affiliated securities companies (all indirect subsidiaries of Associated Gas and Electric Corporation not consolidated in the above statement) to acquire the bonds and preferred stocks at three points under the market price at the time of sale. An affiliated interest holds an option to purchase, for approximately \$157,000, certain stock included (in a group valuation) in "Investments—Other" in the above statement.

Associated Gas and Electric Corporation is contingently liable as guarantor of obligations of a subsidiary securities company, not consolidated, amounting to approximately \$175,000.

EXHIBIT A

Associated Gas and Electric Corporation

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1933

LIABILITIES

CAPITAL STOCK AND SURPLUS:

Associated Gas and Electric Corporation:

Capital stock—6,710,000 shares with a par value of \$1.00 each, authorized and outstanding \$ 7,398,000.00

Consolidated surplus—Exhibit C:

Capital 335,715,114.44

Corporate 3,838,243.38

Subsidiary companies:

General Gas & Electric Corporation preferred and common stocks (including minority's portion of surplus) 39,822,665.49

Other subsidiary companies:

Preferred 35,091,933.33

Common (including applicable surplus) 63,982.72 \$421,929,939.36

FUNDED DEBT (INCLUDING OBLIGATIONS TO DELIVER) AND INTEREST-BEARING SECURITIES:

Associated Gas and Electric Corporation:

8% bonds, due 1940 \$ 9,890,400.00

Convertible debentures, due 1973 41,940,875.00

Income debentures, due 1978 23,669,660.00 \$ 75,500,935.00

Subsidiary companies:

Operating utility companies (including \$4,836,100 due in 1934) 184,110,300.00

Group and other companies (including \$465,500 due in 1934) 64,332,991.79 323,944,226.79

DUE TO STOCKHOLDER—ASSOCIATED GAS AND ELECTRIC COMPANY 494,652.71

MATURED BOND INTEREST (unpresented coupons), ETC. (contra) 797,509.92

ADVANCES FROM FINANCING COMPANIES (appliance accounts receivable pledged as collateral) 467,265.89

NOTES PAYABLE (including \$2,520,000 covered by pledge of bonds of subsidiary companies eliminated in consolidation) 3,449,335.03

ACCOUNTS PAYABLE (including \$150,000 past-due bonds and notes of subsidiary companies) 2,975,954.21

ACCRUED TAXES (exclusive of Federal income taxes) 2,512,283.33

INTEREST AND MISCELLANEOUS ACCRUALS (including \$191,050.10 past-due interest on bonds and notes of subsidiary companies) 5,717,480.60

CONSUMERS' SERVICE AND LINE DEPOSITS 4,075,203.50

RESERVE FOR FEDERAL INCOME TAXES (subject to final determination) 6,533,627.43

RESERVE FOR RETIREMENTS (replacements and renewals) OF FIXED CAPITAL (including adjustments resulting from revaluation) 51,726,593.40

RESERVE FOR CONTINGENCIES (created from capital surplus) 36,000,000.00

RESERVE FOR CONVERSION OF FIXED INTEREST DEBENTURES OF ASSOCIATED GAS AND ELECTRIC CORPORATION INTO INCOME DEBENTURES 41,940,875.00

CONTRIBUTIONS FOR EXTENSIONS—NON-REFUNDABLE 2,064,965.89

MISCELLANEOUS RESERVES AND UNADJUSTED CREDITS (including accrued cumulative dividends not currently being paid on preferred stocks of subsidiaries) 3,164,086.04

TOTAL \$907,794,001.10

NOTATIONS (Continued): The companies have a contingent liability on account of claims for Federal income taxes (which are being contested) in connection with returns in which the corporation and its subsidiaries were consolidated with other companies in the Associated Gas and Electric System. The claims for years examined (in most instances through 1928) and indicated claims for subsequent years exceed the amount of reserve for Federal income taxes provided above, but owing to the various issues involved the final liability cannot at this time be estimated.

In connection with the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company, the corporation has declared a distribution out of surplus of an amount not to exceed \$300,000,000 payable in debentures of the corporation from time to time as shall be required for delivery by Associated Gas and Electric Company for exchanges pursuant to the Plan. There had been issued under the Plan and charged to capital surplus up to December 31, 1933, \$65,610,535 principal amount of debentures of the corporation.

Associated Gas and Electric Corporation

and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME

For the year ended December 31, 1933

OPERATING REVENUES:			
Electric	\$64,270,440.95		
Gas	10,844,081.24		
Steam heating, water, ice, transportation, etc.	6,216,779.05		\$81,331,301.24
OPERATING EXPENSES AND TAXES:			
Operating expenses	\$34,348,882.39		
Maintenance	6,505,886.76		
Provision for retirement (replacements, renewals, etc.) of fixed capital	6,815,360.98		
Provision for taxes (including companies' estimate for Federal income taxes)	7,681,516.18		55,351,646.31
OPERATING INCOME			\$25,979,654.93
OTHER INCOME:			
Interest and dividends on investments, etc.:			
Subsidiary company not consolidated	\$ 20,714.52		
Affiliated companies	501,944.77		
Other	418,635.13		
Income of subsidiary management and appliance companies	1,326,743.53		
TOTAL	\$ 2,268,037.95		
Less non-operating expenses	460,911.89		1,807,126.06
GROSS INCOME			\$27,786,780.99
DEDUCTIONS FROM INCOME:			
Subsidiary companies:			
Operating utility companies:			
Interest on funded debt	\$ 9,303,613.64		
Interest on unfunded debt	385,598.85		
Interest during construction (credit)	150,979.21		
Amortization of debt discount and expense	773,841.06		
Dividends on preferred stocks paid and accrued	2,068,255.73	\$12,380,330.07	
Group companies:			
Interest on funded debt	\$ 3,129,949.84		
Interest on unfunded debt	287,054.01		
Amortization of debt discount and expense	493,327.32		
Dividends accrued on preferred stock	56,820.00	3,972,151.17	16,352,481.24
BALANCE			\$11,434,299.75
Associated Gas and Electric Corporation:			
Interest on:			
Fixed interest debentures	\$ 1,202,686.16		
Unfunded debt	78,303.86		
Income debentures	302,907.62		
Amortization of debt discount and expense	72,818.38		1,656,716.02
BALANCE OF INCOME (see notation below)			\$ 9,777,583.73

NOTATION: The above statement does not include (1) income of subsidiaries derived from investments in Associated Gas and Electric Company (2) interest and dividends paid or payable from income attributable to investments in Associated Gas and Electric Company. These items have been credited or charged to corporate surplus.

EXHIBIT B

Associated Gas and Electric Corporation

and Subsidiary Companies

STATEMENTS OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1933

	<i>Corporate Surplus</i>	<i>Capital Surplus</i>
BALANCE, JANUARY 1, 1933	\$ 684,920.67	\$447,059,682.68
ADDITIONS:		
Balance of income for the year—Exhibit B	9,777,583.73	
Income of subsidiaries attributable to investments in Associated Gas and Electric Company	622,439.54	
Net operating profit of subsidiary engineering and purchasing companies, etc., (including approximately \$108,000 arising from construction fees capitalized).....	189,355.53	
Distribution from subsidiary securities company not consolidated		620,000.00
Transfer to deferred debit items in balance sheet and to corporate surplus of debt discount and expense which was deducted from capital surplus to December 31, 1932, less discount and premium absorbed by holding companies on bonds sold or retired in 1933		11,248,867.94
Miscellaneous	480,311.89	380,245.94
TOTAL	<u>\$11,754,611.36</u>	<u>\$459,308,796.56</u>
DEDUCTIONS:		
Dividends on common stock of Associated Gas and Electric Corporation.....	\$ 5,680,000.00	*\$ 65,610,535.00
Provision for reserve for conversion of fixed interest debentures of Associated Gas and Electric Corporation into income debentures		41,940,875.00
Cumulative dividends unpaid on preferred stocks of General Gas & Electric Corporation (dependent upon income from investments in securities of Associated Gas and Electric Company on none of which is any income being currently received)	808,515.00	
Adjustment of minority interest in surplus of subsidiaries	247,426.79	264,105.09
Amortization of debt discount and expense applicable to prior years and premium and discount on reacquisitions, etc. (net)	1,022,659.86	
Additional amount charged to capital surplus in consolidation in connection with elimination of intercompany investments		12,094,235.39
Adjustment of book value of fixed capital assets (net)		3,468,651.83
Miscellaneous	652,619.91	215,279.81
TOTAL	<u>\$ 7,916,367.98</u>	<u>\$123,593,682.12</u>
BALANCE, DECEMBER 31, 1933	<u>\$ 3,838,243.38</u>	<u>\$335,715,114.44</u>

NOTATION: *Represents distribution in convertible debentures due 1973 and income debentures due 1978 in connection with the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company.

Associated Gas and Electric Corporation

(Incorporated in Delaware)

BALANCE SHEET

December 31, 1933

ASSETS

INVESTMENTS (at cost or company's valuation):

Subsidiary companies:

Common stocks, including due bills	\$242,040,339.37	
Preferred stocks	50,007,127.96	
Bonds, including due bills—Principal amount, \$45,535,700 (of which \$102,000 are pledged)	42,229,475.65	
Interest-bearing scrip—Principal amount, \$6,051.61	1,210.73	
Interest-bearing convertible obligations—Principal amount, \$285,032,000	285,032,000.00	
Notes and accounts receivable, etc.	19,685,439.79	
Affiliated companies:		
Accounts receivable	944,423.76	\$639,940,017.26

NOTES RECEIVABLE—OTHER	50,000.00
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SPECIAL DEPOSITS FOR MATURED BOND INTEREST (contra)	68,628.45
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OTHER SPECIAL DEPOSITS	19,893.75
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CASH	501,389.07
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ACCRUED INTEREST RECEIVABLE ON BONDS, NOTES, ETC., OF SUBSIDIARY COMPANIES	763,137.99
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DEFERRED DEBIT ITEMS:

Unamortized debt discount and expense	\$ 452,080.82	
Miscellaneous	4,375.14	456,455.96

TOTAL		<u>\$641,799,522.48</u>
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LIABILITIES

CAPITAL STOCK AND SURPLUS:

Capital stock—6,710,000 shares with a par value of \$1.00 each, authorized and outstanding	\$ 7,398,000.00
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Surplus—Exhibit F:

Capital	340,674,026.21	
Corporate	1,048,154.84	\$349,120,181.05

FUNDED DEBT (including obligations to deliver):

8% bonds, due 1940	\$ 9,890,400.00	
Convertible debentures, due 1973	41,940,875.00	
Income debentures, due 1978	23,669,660.00	75,500,935.00

DUE TO STOCKHOLDER—ASSOCIATED GAS AND ELECTRIC COMPANY (including accrued dividend of \$300,000.00)	494,652.71
---	------------

MATURED BOND INTEREST (unpresented coupons) (contra)	68,628.45
--	-----------

ACCOUNTS PAYABLE	2,360.31
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ACCRUED TAXES (exclusive of Federal income tax)	153,600.98
---	------------

ACCRUED INTEREST ON FUNDED DEBT	682,978.99
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RESERVE FOR FEDERAL INCOME TAXES (subject to final determination)	4,835,574.86
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RESERVE FOR CONTINGENCIES (created from capital surplus)	168,000,000.00
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RESERVE FOR CONVERSION OF FIXED INTEREST DEBENTURES INTO INCOME DEBENTURES	41,940,875.00
--	---------------

MISCELLANEOUS RESERVES AND UNADJUSTED CREDITS	999,735.13
---	------------

TOTAL		<u>\$641,799,522.48</u>
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NOTATIONS: Certain bonds of subsidiary companies included above in investments are subject to a purchase option given to a group of subsidiary securities companies to acquire the bonds at three points under the market price at the time of sale.

In connection with the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company, the corporation has declared a distribution out of surplus of an amount not to exceed \$300,000,000 payable in debentures of the corporation from time to time as shall be required for delivery by Associated Gas and Electric Company for exchanges pursuant to the Plan. There had been issued under the Plan and charged to capital surplus up to December 31, 1933, \$65,610,535 principal amount of debentures of the corporation.

The corporation is contingently liable as guarantor of obligations of a subsidiary amounting to approximately \$175,000.

The corporation has a contingent liability on account of claims for Federal income taxes (which are being contested) in connection with returns in which the corporation and its subsidiaries were consolidated with other companies in the Associated Gas and Electric System. The claims for years examined (in most instances through 1928) and indicated claims for subsequent years exceed the amount of reserve for Federal income taxes provided above but owing to the various issues involved the final liability cannot at this time be estimated.

EXHIBIT D

Associated Gas and Electric Corporation

STATEMENT OF INCOME

For the year ended December 31, 1933

INCOME:

From subsidiary companies:

Dividends on common stocks (less \$2,425,000.00 applied against undistributed earnings taken up in prior period)	\$1,600,000.00
--	----------------

Interest on:

Bonds	\$2,639,763.12	
Notes, accounts, and convertible obligations	4,952,099.32	7,591,862.44

Federal income taxes accrued by subsidiaries on individual company basis	543,734.04
--	------------

TOTAL	\$9,735,596.48
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Interest on notes and accounts of affiliated companies	230,168.18
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Interest on bank balances, etc.	1,642.86
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TOTAL	\$9,967,407.52
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DEDUCTIONS FROM INCOME:

Provision for taxes (including corporation's estimate for Federal income tax)	\$1,327,231.11	
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General expenses, etc.	113,967.49	1,441,198.60
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BALANCE	\$8,526,208.92
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Interest on:

Fixed interest debentures	\$1,202,686.16	
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Unfunded debt	78,303.86	
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Income debentures	302,907.62	
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Amortization of debt discount and expense	72,818.38	1,656,716.02
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BALANCE OF INCOME (see notation below)	\$6,869,492.90
--	----------------

NOTATION: The above statement does not include income attributable to investments of the corporation or its subsidiaries in securities of Associated Gas and Electric Company, which has been credited direct to corporate surplus.

Associated Gas and Electric Corporation

STATEMENTS OF CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1933

	<i>Corporate Surplus</i>	<i>Capital Surplus</i>
BALANCE, JANUARY 1, 1933	\$ 145,560.00	\$447,854,597.57
ADDITIONS:		
Balance of income for the year—Exhibit E	6,869,492.90	
Income attributable to investments of the corporation and its subsidiaries in Associated Gas and Electric Company	137,727.43	
Distribution from subsidiary securities company		620,000.00
Transfer to deferred debit items in balance sheet and to corporate surplus of debt discount and expense which was deducted from capital surplus to Decem- ber 31, 1932		584,252.49
Miscellaneous	10,125.63	3,117.44
TOTAL	<u>\$7,162,905.96</u>	<u>\$449,061,967.50</u>
DEDUCTIONS:		
Dividends on common stock (including accrual of \$300,000.00)	\$5,680,000.00	*\$ 65,610,535.00
Provision for reserve for conversion of fixed interest debentures into income debentures		41,940,875.00
Adjustment of earnings since acquisition of subsidiary companies (net)	114,508.64	
Adjustment of Federal income taxes	254,969.34	
Loss on investments in securities of subsidiary companies (net)		767,276.43
Forgiveness of indebtedness due from subsidiary company		50,000.00
Amortization of debt discount and expense applicable to prior years	57,029.49	
Miscellaneous	8,243.65	19,254.86
TOTAL	<u>\$6,114,751.12</u>	<u>\$108,387,941.29</u>
BALANCE, DECEMBER 31, 1933	<u>\$1,048,154.84</u>	<u>\$340,674,026.21</u>

NOTATION: *Represents distribution in convertible debentures due 1973 and income debentures due 1978 in connection with the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company.

Associated Gas and Electric Corporation
and Subsidiary Companies

CONSOLIDATED STATEMENT OF CAPITAL RECEIPTS AND CAPITAL DISBURSEMENTS

December 31, 1932 to December 31, 1933

CAPITAL RECEIPTS

CASH BALANCE AT DECEMBER 31, 1932.....	\$ 6,358,418.86
Receipts for the year ended December 31, 1933:	
Balance of undistributed earnings—transferred to surplus	9,777,583.73
Decrease in fixed capital (including \$14,995,556.36 reduction in uneliminated balance of investments in subsidiaries)	22,913,712.81
Decrease in investments	1,344,390.45
Capital securities issued—net (including securities issued under Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company). Details of capital issues and retirements on pages 16 and 17	51,294,525.30
Reserve created in 1933 for conversion of debentures of Associated Gas and Electric Corporation, issued under Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company	41,940,875.00
Decrease in miscellaneous assets (net)	1,251,896.54
Increase in miscellaneous liabilities (net)	1,464,033.29
Increase in optional and other reserves	115,293.75
TOTAL CAPITAL RECEIPTS	<u>\$136,460,729.23</u>

CAPITAL DISBURSEMENTS

Decrease in notes payable and advances from finance companies	\$ 1,873,698.81
Unamortized debt discount and expense subject to future amortization, previously deducted from capital surplus, restored to balance sheet	9,592,769.17
Items charged against surplus (net). See analysis on page 11	117,968,829.26
TOTAL CAPITAL DISBURSEMENTS	<u>\$129,435,297.24</u>
CASH BALANCE AT DECEMBER 31, 1933	7,025,431.99
TOTAL	<u>\$136,460,729.23</u>

On pages 15 to 17 the term "retired" indicates a reduction in the amount of securities held by the public but does not necessarily mean that the securities were cancelled. The term "issued" indicates an increase in the amount of securities held by the public.

Associated Gas and Electric Corporation

and Subsidiary Companies

DETAILS OF CONSOLIDATED CAPITAL ISSUES AND RETIREMENTS

December 31, 1932 to December 31, 1933

Stocks of General Gas & Electric Corporation	Shares issued (net)	Shares retired (net)
\$8.00 Cumulative Preferred Stock	—	4,253
\$7.00 Cumulative Preferred Stock	—	5,232
\$6.00 Cumulative Preferred Stock, Series A and B	—	32,812
Class A Common Stock	34,627	—
Class B Common Stock	—	446

Stocks of other subsidiary companies	Shares issued (net)	Shares retired (net)
Preferred Stocks:		
Broad River Power Company—7% Cumulative	—	1,939
Clarion River Power Company—Participating	—	23.5
Empire Gas and Electric Company—7% Cumulative, Series C	—	11
Florida Public Service Company—\$7.00 Cumulative	—	355
Metropolitan Edison Company—\$6.00 Cumulative	—	768
New York Central Electric Corporation—7% Cumulative	—	4,573
Ohio-Midland Light and Power Company—\$5.00 Cumulative	—	20.89
Rochester Central Power Corporation—6% Cumulative	—	7,305
Rochester Gas and Electric Corporation:		
7% Cumulative, Series B	—	4,197
6% Cumulative, Series C	—	2,887
6% Cumulative, Series D	7,580	—
Common Stocks:		
The Associated Utilities Investing Corporation—Class A	—	136
Metropolitan Edison Company	—	146
Ohio-Midland Light and Power Company	—	20.89
Rochester Central Power Corporation	—	130

Funded debt of Associated Gas and Electric Corporation	Principal Amount	
	Issued (net)	Retired (net)
8% Bonds, due 1940	—	\$109,600.00
Convertible Debentures, due 1973:		
5½%	\$ 3,234,050.00	—
5%	21,582,265.00	—
4½%	15,719,110.00	—
4%	1,405,450.00	—
Income Debentures, due 1978:		
4½%	2,534,100.00	—
4%	16,855,080.00	—
3¾%	3,732,380.00	—
3½%	548,100.00	—
TOTAL	\$65,610,535.00	\$109,600.00
Net Issued	\$65,500,935.00	

Associated Gas and Electric Corporation

and Subsidiary Companies

DETAILS OF CONSOLIDATED CAPITAL ISSUES AND RETIREMENTS

December 31, 1932 to December 31, 1933

Funded debt of group and other companies	Principal Amount	
	Issued (net)	Retired (net)
Associated Electric Company:		
5%, due 1961	\$1,852,000.00	—
4½%, due 1953	1,703,400.00	—
4½%, due 1956	629,000.00	—
General Gas & Electric Corporation:		
5% Serial Notes due 1933 to 1935	—	\$ 1,730,000.00
5% Notes due 1934 to 1936	754,500.00	—
7% Scrip due 1937-1938	—	91,422.36
The Metropolitan Edison Corporation, 6% due 1961	—	1,736,900.00
The Mohawk Valley Company, 6% due 1991 and 6% due 2031	—	11,600.00
Miscellaneous	—	2,289,235.00
TOTAL	\$4,938,900.00	\$ 5,859,157.36
Net Retired		\$ 920,257.36

Funded debt of operating utility companies	Principal Amount	
	Issued (net)	Retired (net)
Binghamton Light, Heat & Power Co., 5% due 1946	—	\$ 422,000.00
Broad River Power Company, 5% due 1954 and 6½% due 1934	—	792,100.00
Columbia Railway, Gas and Electric Company, 5% due 1936	—	47,500.00
Elmira Water, Light and Railroad Company, 5% due 1956	\$ 33,000.00	—
Erie Lighting Company, 5% due 1967	80,000.00	—
Jefferson Electric Company, 5% due 1933	—	90,000.00
Lexington Water Power Company, 5% due 1968 and 5½% due 1953	—	3,227,300.00
Lockport Light, Heat and Power Company, 5½% due 1954	—	35,000.00
Metropolitan Edison Company:		
5% due 1953	—	46,000.00
5% due 1962, 4½% due 1968 and 4% due 1971	101,800.00	—
New Jersey Power & Light Company, 4½% due 1960	407,000.00	—
New York Central Electric Corporation, 5½% due 1950 and 5% due 1952	44,000.00	—
New York State Electric & Gas Corporation:		
5½% due 1962	—	173,000.00
6% due 1952, 4½% due 1960 and 4½% due 1980	624,300.00	—
Northern Pennsylvania Power Company:		
5% due 1962	171,100.00	—
5% due 1952	—	62,000.00
Parr Shoals Power Company, 5% due 1952	—	75,000.00
Penn Public Service Corporation, 6% due 1947 and 5% due 1954	—	125,000.00
Pennsylvania Electric Company:		
7½% due 1935	—	30,000.00
6½% due 1934	333,000.00	—
6½% due 1933	—	857,000.00
5% due 1962	525,100.00	—
4% due 1971	—	54,000.00
Rochester Gas and Electric Corporation, 5% due 1962 and 4½% due 1977	61,000.00	—
The Scioto Valley Railway and Power Company, 6% due 1943	—	33,500.00
Staten Island Edison Corporation:		
6% due 1933	—	5,562,000.00
6% due 1934	3,141,000.00	—
Miscellaneous	—	1,345,600.00
TOTAL	\$5,521,300.00	\$12,977,000.00
Net Retired		\$ 7,455,700.00

Associated Gas and Electric Corporation
and Subsidiary Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1933 and 1932

ASSETS SIDE

	1933	1932
FIXED CAPITAL	\$746,359,298.08	\$769,273,010.89
INVESTMENTS	128,826,190.16	130,170,580.61
SPECIAL DEPOSITS FOR SINKING FUNDS, ETC.....	505,980.51	324,433.12
SPECIAL DEPOSITS (contra)	797,509.92	648,655.90
CASH AND TIME DEPOSITS	7,025,431.99	6,358,418.36
NOTES AND ACCOUNTS RECEIVABLE, LESS RESERVE	9,178,339.51	10,378,319.04
MATERIALS AND SUPPLIES	3,855,291.27	4,277,342.10
PREPAID EXPENSES	448,547.18	557,620.92
UNAMORTIZED DEBT DISCOUNT AND EXPENSE	9,592,769.17	—
MISCELLANEOUS UNADJUSTED DEBITS	1,204,643.31	906,983.14
 TOTAL ASSETS SIDE	 \$907,794,001.10	 \$922,895,364.08

In the above statement unamortized debt discount and expense at December 31, 1932 is charged to capital surplus.

Associated Gas and Electric Corporation
and Subsidiary Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1933 and 1932

LIABILITIES SIDE AND CAPITAL

	1933	1932
CAPITAL STOCK AND SURPLUS:		
Associated Gas and Electric Corporation	\$346,951,357.82	\$455,142,603.35
Subsidiary companies:		
General Gas & Electric Corporation, preferred and common, including minority's portion of surplus	39,822,665.49	43,991,845.38
Other subsidiary companies:		
Preferred stocks	35,091,933.33	36,541,871.67
Common stocks, including applicable surplus	63,982.72	275,316.83
TOTAL CAPITAL STOCK AND SURPLUS	\$421,929,939.36	\$535,951,637.23
FUNDED DEBT:		
Associated Gas and Electric Corporation	\$ 75,500,935.00	\$ 10,000,000.00
Utility companies	184,110,300.00	191,566,000.00
Other companies	64,332,991.79	65,253,249.15
TOTAL FUNDED DEBT	\$323,944,226.79	\$266,819,249.15
DUE TO STOCKHOLDER—ASSOCIATED GAS AND ELECTRIC COMPANY.....	\$ 494,652.71	\$ 15,513.85
MATURED BONDS AND BOND INTEREST (contra)	797,509.92	648,655.90
ADVANCES FROM FINANCE COMPANIES	467,265.89	629,900.00
NOTES PAYABLE	3,449,335.03	5,160,399.73
ACCOUNTS PAYABLE	2,975,954.21	2,767,973.99
ACCRUED ACCOUNTS	8,229,763.93	7,393,466.22
CONSUMERS' DEPOSITS	4,075,203.50	4,134,587.00
RESERVE FOR RETIREMENT	51,726,595.40	51,919,171.37
RESERVES AND UNADJUSTED CREDITS	89,703,554.36	47,454,809.64
TOTAL LIABILITIES SIDE AND CAPITAL	\$907,794,001.10	\$922,895,364.08

Associated Gas and Electric Corporation

and Subsidiary Companies

COMPARATIVE CONSOLIDATED INCOME ACCOUNT

	<i>For years ended December 31st</i>	
	1933	1932*
OPERATING REVENUES:		
Electric	\$64,270,440.95	\$66,182,889.65
Gas	10,844,081.24	11,617,219.62
Steam heating, water, ice, transportation, etc.	6,216,779.05	7,026,347.59
TOTAL	\$81,331,301.24	\$84,826,456.86
OPERATING EXPENSES, MAINTENANCE AND TAXES	\$48,536,285.33	\$46,902,451.46
PROVISION FOR RETIREMENTS (REPLACEMENTS, RENEWALS, ETC.) OF FIXED CAPITAL	6,815,360.98	7,251,309.08
TOTAL	\$55,351,646.31	\$54,153,760.54
OPERATING INCOME	\$25,979,654.93	\$30,672,696.32
OTHER INCOME (net)	1,807,126.06	2,886,875.60
GROSS INCOME	\$27,786,780.99	\$33,559,571.92
FIXED CHARGES AND OTHER DEDUCTIONS OF SUBSIDIARIES (including amortization of debt discount and expense):		
Operating utility companies	\$12,380,330.07	\$12,772,268.05
Group companies	3,972,151.17	4,347,644.37
TOTAL	\$16,352,481.24	\$17,119,912.42
BALANCE	\$11,434,299.75	\$16,439,659.50
INTEREST, ETC., OF ASSOCIATED GAS AND ELECTRIC CORPORATION ON:		
Fixed interest debentures	\$ 1,202,686.16	\$ 578,323.56
Unfunded debt	78,303.86	1,587.89
Income debentures	302,907.62	—
Amortization of debt discount and expense	72,818.38	57,029.49
TOTAL	\$ 1,656,716.02	\$ 636,940.94
BALANCE	\$ 9,777,583.73	\$15,802,718.56

* Revised to be on comparable basis with 1933, except as to interest paid to Associated Gas and Electric Company by Associated Gas and Electric Corporation.

The above statement excludes all income received or receivable from Associated Gas and Electric Company and all deductions dependent thereon.

Associated Gas and Electric Corporation

and Subsidiary Companies

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Capital stock of Associated Gas and Electric Corporation

Common, all owned by Associated Gas and Electric Company..... 6,710,000 Shares

Stocks of General Gas & Electric Corporation	Shares held by public	Transfer agents (see reference page 25)	Registrars
\$8.00 Cumulative Preferred	6,646	1	9
\$7.00 Cumulative Preferred	10,219	1	9
\$6.00 Cumulative Convertible Preferred, Series A and B	113,969	1	12
Class A—Common	3,333,410	1	9
Class B—Common	11,948	1	9

Common stocks of other subsidiary companies	Shares held by public	Transfer agents (see reference page 25)	Registrars
American Utilities Company	332	1	3
Cold Spring Light, Heat and Power Company	15	6	—
Ohio-Midland Light and Power Company—Class A	190,73	6	—
Rochester Central Power Corporation.....	6,859	1	3
Southern Ice and Utilities Company—Class A	1,298	1	3
Southern Ice and Utilities Company—Class B	4,402	1	3
West Virginia Light, Heat and Power Company.....	345	6	—

Preferred stocks of other subsidiary companies	Rate	Shares held by public	Dividend dates	Transfer agents (see reference page 25)	Registrars
American Utilities Company—Cumulative	7	639	—	1	3
Broad River Power Company—Cumulative	7	2,805	—	1	3
The Clarion River Power Company—Participating	—	4,844.7	—	5	4
Empire Gas and Electric Company—Series A—Cumulative.....	6	1,471	MJSD-1	1	3
Empire Gas and Electric Company—Series C—Cumulative.....	7	7,355	MJSD-1	1	3
Empire Gas and Electric Company—Series D—Cumulative.....	6	2,615	MJSD-1	1	3
Florida Public Service Company—Cumulative	7	825	—	1	3
Metropolitan Edison Company—Cumulative	7	6,332	JAJO-1	1	3
Metropolitan Edison Company—Cumulative	6	106,491	JAJO-1	1	3
Metropolitan Edison Company—Cumulative	5	387	JAJO-1	1	3
New Jersey Power & Light Company—Cumulative	6	11,405	JAJO-1	1	3
New Jersey Power & Light Company—Cumulative	5	18	JAJO-1	1	3
New York Central Electric Corporation—Cumulative	7	20,110	—	1	3
Ohio-Midland Light and Power Company—Cumulative	5	112.63	—	6	—
Rochester Central Power Corporation—Cumulative	6	9,470	—	1	3
Rochester Gas and Electric Corporation—Cumulative Series B.....	7	26,742	MJSD-1	1-8	10-31
Rochester Gas and Electric Corporation—Cumulative Series C.....	6	14,903	MJSD-1	1-8	10-31
Rochester Gas and Electric Corporation—Cumulative Series D.....	6	133,965	MJSD-1	1-8	10-31
Southern Ice and Utilities Company—Cumulative	7	391	—	1	3
Southern Ice and Utilities Company—Participating Cumulative ..	7	33	—	1	3

Associated Gas and Electric Corporation
and Subsidiary Companies
CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded debt of Associated Gas and Electric Corporation	Interest rate %	Amount held by public	Interest dates	Interest payable at (see reference page 25)	Trustee
Bonds, due 1940	8	\$ 9,890,400.00	M&S-15	1-2	12
Convertible Debentures, due 1973	5½	3,234,050.00	F&A-1	1-2	18
Convertible Debentures, due 1973	5	21,582,265.00	J&D-1	1-2	18
Convertible Debentures, due 1973	4½	15,719,110.00	J&D-1	1-2	18
Convertible Debentures, due 1973	4	1,405,450.00	M&S-15	1-2	18
Income Debentures, due 1978	4½	2,534,100.00	F&A-1	1-2	18
Income Debentures, due 1978	4	16,855,080.00	A&O-1	1-2	18
Income Debentures, due 1978	3¾	3,732,380.00	M&N-1	1-2	18
Income Debentures, due 1978	3½	548,100.00	M&S-15	1-2	18
Total		\$75,500,935.00			

Funded debt of group and other companies	Interest rate %	Amount held by public	Interest dates	Interest payable at (see reference page 25)	Trustee
ASSOCIATED ELECTRIC COMPANY:					
Bonds, due 1953	4½	\$20,899,400.00	J&J-1	1-2	10
Bonds, Refunding Series, due 1956	4½	1,318,000.00	A&O-1	1-2	10
Bonds, due 1961	5	34,661,500.00	J&J-1	1-2	10
GENERAL GAS & ELECTRIC CORPORATION:					
Serial Notes, due 1934 and 1935	5	931,000.00	F&A-15	1	9
Notes, due 1934, 1935 and 1936	5	754,500.00	F&A-15	1	1*
Interest Bearing Scrip, due 1937 and 1938	7	964,646.29	†	—	1‡
THE METROPOLITAN EDISON CORPORATION:					
Secured Consolidated Refunding, due 1961	6	705,400.00	M&S-1	1-2	9
THE MOHAWK VALLEY COMPANY:					
Consolidated Refunding, due 1991	6	614,500.00	M&N-1	1-2	9
Debentures, due 2031	6	158,200.00	A&O-1	1-2	18*
MISCELLANEOUS	—	3,325,845.50	—	—	—
Total		\$64,332,991.79			

* Authenticating agent. † Interest payable at maturity. ‡ Transfer agent.

Funded debt of operating utility companies	Interest rate %	Amount held by public	Interest dates	Interest payable at (see reference page 25)	Trustee
BINGHAMTON LIGHT, HEAT & POWER Co.:					
First Refunding Mortgage, due 1946	5	\$ 6,549,000	A&O-1	1-2	10
BROAD RIVER POWER COMPANY:					
First and Refunding Mortgage, Series A, due 1954	5	3,374,400	M&S-1	10-22	10
Secured Sinking Fund, due 1934	6½	291,200	M&N-1	9-25	9
CANADEA POWER CORPORATION:					
First Mortgage, due 1958	5	2,000,000	A&O-1	19	32

Associated Gas and Electric Corporation
and Subsidiary Companies

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded debt of operating utility companies	Interest rate %	Amount held by public	Interest dates	Interest payable at (see reference page 25)	Trustee
CHASM POWER COMPANY:					
First Mortgage, due serially to 1948	5	\$ 8,000	A&O-15	30	30
CITIZENS LIGHT, HEAT & POWER COMPANY OF PENNSYLVANIA:					
First Mortgage, due 1934	5	957,000	M&N-1	1	16
COLUMBIA RAILWAY, GAS AND ELECTRIC COMPANY:					
First Mortgage Sinking Fund, due 1936	5	1,476,500	J&J-1	1	13
DELAWARE GAS LIGHT COMPANY:					
First Mortgage, due 1939	5	143,000	J&J-1	27	27
ELMIRA WATER, LIGHT AND RAILROAD COMPANY:					
First Consolidated Mortgage, due 1956	5	5,000,000	M&S-1	17	17
EMPIRE GAS AND ELECTRIC COMPANY:					
General and Refunding Mortgage, Series A, due 1952	6	1,860,000	J&D-1	13	13
EMPIRE GAS AND ELECTRIC CO. AND EMPIRE COKE CO.:					
Joint First and Refunding Mortgage, due 1941	5	2,669,000	M&S-1	26	26
ERIE LIGHTING COMPANY:					
First Mortgage Sinking Fund, due 1967	5	4,856,000	A&O-1	26	26
FRANKFORT WATER COMPANY:					
First Mortgage Sinking Fund, due 1936	5	96,000	J&J-1	29	29
GENESEE VALLEY POWER COMPANY, INC.:					
First Mortgage, due serially to 1953	6	86,500	A&O-1	21	21
INDIANA GAS UTILITIES COMPANY:					
First Mortgage, due 1946	5	780,000	J&J-1	1-7-24	10
THE LAKE SHORE GAS COMPANY:					
First Mortgage, due 1950	5½	565,000	M&N-1	1	10
LEXINGTON WATER POWER COMPANY:					
First Mortgage, due 1968	5	8,415,300	J&J-1	9-22	9
LOCKPORT LIGHT, HEAT AND POWER COMPANY:					
First Mortgage, Series A, due 1954	5½	1,183,000	M&N-1	17	17
LONG ISLAND WATER CORPORATION:					
First Mortgage, due 1955	5½	2,133,000	M&N-1	1	10
MANILA ELECTRIC COMPANY:					
First Refunding Mortgage, due 1946	5	49,000	M&S-1	9	9
THE MANILA ELECTRIC RAILROAD AND LIGHTING CORP.:					
First Lien and Collateral Trust, due 1953	5	819,000	M&S-1	1	9

Associated Gas and Electric Corporation
and Subsidiary Companies

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded debt of operating utility companies	Interest rate %	Amount held by public	Interest dates	Interest payable at (see reference page 25)	Trustee
THE MANILA SUBURBAN RAILWAYS COMPANY:					
First Mortgage, due 1946	5	\$ 53,000	M&S-1	1	17
METROPOLITAN EDISON COMPANY:					
First and Refunding Mortgage, Series C, due 1953.....	5	6,367,600	J&J-1	10-22	10
First Mortgage, Series D, due 1968.....	4½	22,163,100	M&S-1	10-22	10
First Mortgage, Series E, due 1971.....	4	4,683,000	M&N-1	1-2	10
First Mortgage, Series F, due 1962.....	5	5,476,000	M&N-1	1-2	10
NEW JERSEY POWER & LIGHT COMPANY:					
First Mortgage, due 1960.....	4½	13,896,000	A&O-1	1-2	10
NEW YORK CENTRAL ELECTRIC CORPORATION:					
First Mortgage, due 1950.....	5½	3,189,000	M&S-1	1	17
First Mortgage, due 1952.....	5	782,000	J&J-1	1	17
NEW YORK STATE ELECTRIC & GAS CORPORATION:					
First Mortgage, due 1962.....	5½	3,505,000	A&O-1	9	9
First Mortgage, due 1952.....	6	380,000	J&J-1	9	9
First Mortgage, due 1980.....	4½	12,184,600	M&S-1	1-2	9
First Mortgage, due 1960.....	4½	676,500	M&S-1	1-2	9
NORTHERN PENNSYLVANIA POWER COMPANY:					
First and Refunding Mortgage, Series A, due 1956	5	1,397,900	J&D-1	10-26	10
First and Refunding Mortgage, due 1962	5	1,560,300	A&O-15	1-2	10
THE PARR SHOALS POWER COMPANY:					
First Mortgage Sinking Fund, due 1952.....	5	2,116,000	A&O-1	9	13
PENN PUBLIC SERVICE CORPORATION:					
First and Refunding Mortgage, Series C, due 1947.....	6	4,282,000	M&N-1	15	11
First and Refunding Mortgage, Series D, due 1954.....	5	2,331,000	J&D-1	1-2	11
PENNSYLVANIA ELECTRIC COMPANY:					
Convertible Notes, due 1935	7½	75,000	F&A-1	1	9*
Convertible Notes, due 1934	6½	333,000	F&A-1	1	9*
First and Refunding Mortgage, Series H, due 1962	5	9,348,100	A&O-15	1-2	11
First and Refunding Mortgage, Series F, due 1971	4	5,429,000	M&N-1	1-2	11
RICHMOND LIGHT AND RAILROAD COMPANY:					
First and Collateral Trust, due 1952.....	4	1,000,000	J&J-1	10	10
ROCHESTER GAS AND ELECTRIC CORPORATION:					
General Mortgage, Series C, due 1948.....	5½	3,978,000	M&S-1	1-2	11
General Mortgage, Series D, due 1977.....	4½	6,000,000	M&S-1	1-2	11
General Mortgage, Series E, due 1962.....	5	8,287,000	M&S-1	1-2	11

* Authenticating agent.

Associated Gas and Electric Corporation
and Subsidiary Companies

CONSOLIDATED STATEMENT OF SECURITIES OUTSTANDING

Funded debt of operating utility companies	Interest rate %	Amount held by public	Interest dates	Interest payable at (See reference below)	Trustee
ROCHESTER RAILWAY AND LIGHT COMPANY:					
Consolidated Mortgage, due 1954	5	\$10,802,900	J&J-1	1-8-32	32
ROOSEVELT WATER, POWER AND LIGHT COMPANY:					
First Mortgage, due serially to 1944	6	13,000	F&A-1	20	20
THE SCIOTO VALLEY RAILWAY AND POWER COMPANY:					
First Mortgage, due 1943	6	1,100,500	J&D-1	15-33	33
SENECA POWER CORPORATION:					
First Mortgage, due 1946	6	399,000	M&S-1	14	14
STATEN ISLAND EDISON CORPORATION:					
Refunding and Improvement Mortgage, due 1934	6	3,141,000	J&D-14	1	13
TRACY DEVELOPMENT COMPANY:					
First Mortgage, due 1944	6	231,000	A&O-1	14	14
UNION GAS & ELECTRIC COMPANY:					
First Mortgage, due 1935	5	463,000	M&S-1	23	23
YORK HAVEN WATER AND POWER COMPANY:					
Bonds, due 1951	5	1,245,500	J&D-1	28	28
MISCELLANEOUS	—	3,910,400	—	—	—
Total		\$184,110,300			

REFERENCE

Index—Trustees of Mortgages, Paying Agents and Registrars and Transfer Agents for Stock.

1* Transfer and Coupon Paying Agency, 61 Broadway, New York	17 The New York Trust Company, New York
2* Transfer and Coupon Paying Agency, Ithaca, N. Y.	18 The Public National Bank and Trust Co. of New York
3 W. A. Davies, H. B. Brown and J. J. McCarthy, 120 Wall Street, New York	19 J. P. Morgan & Company, New York
4 J. F. McKenna and Others, 61 Broadway, New York.	20 Nassau County Trust Company, Mineola, N. Y.
5 F. E. Taylor, W. L. Freund and C. A. Dougherty, 61 Broadway, New York	21 Exchange National Bank of Olean (N. Y.)
6 The Company, or Agency of the Company, 61 Broad- way, New York	22 Continental Illinois National Bank and Trust Co., Chicago, Ill.
7 The Union Trust Company of Boston (Mass.)	23 The First National Bank of Chicago, Ill.
8 Rochester Gas and Electric Corp., Rochester, N. Y.	24 Harris Trust and Savings Bank, Chicago, Ill.
9 The Chase National Bank of the City of New York	25 City National Bank and Trust Co., of Chicago (Ill.)
10 Guaranty Trust Company of New York	26 The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pa.
11 Bankers Trust Company, New York	27 The Easton Trust Company, Easton, Pa.
12 Central Hanover Bank and Trust Company, New York	28 The Real Estate-Land Title and Trust Company, Philadelphia, Pa.
13 Irving Trust Company, New York	29 Fidelity and Columbia Trust Company, Louisville, Ky.
14 Manufacturers Trust Company, New York	30 First National Bank of Chateaugay (N. Y.)
15 The First National Bank of the City of New York	31 Lincoln-Alliance Bank and Trust Co., Rochester, N. Y.
16 Chemical Bank & Trust Company, New York	32 Security Trust Company of Rochester (N. Y.)
	33 The Huntington National Bank of Columbus (Ohio)

* Interest Payments—Coupons at 1 and registered at 2.

Associated Gas and Electric Corporation

and Subsidiary Companies

STATISTICS

	1933	1932
ELECTRIC DEPARTMENT:		
Electricity sold—units (K.W.H.)		
Residential	349,697,994	349,430,163
Other	1,984,826,780	1,872,376,959
Number of consumers		
Residential	703,935	702,624
Other	148,615	151,265
Miles of transmission lines (11,000 volts and over).....	7,420	7,384
K. W. generating capacity	1,019,295	1,029,809
GAS DEPARTMENT:		
Gas sold—cubic feet		
Residential	7,655,743,100	8,244,031,900
Other	3,620,106,300	2,839,335,000
Number of consumers		
Residential	249,808	251,662
Other	19,558	19,396
Miles of gas mains	3,544	3,528
Daily manufacturing capacity—cubic feet.....	72,866,000	73,706,000
WATER DEPARTMENT:		
Water sold—gallons	3,398,350,000	3,565,114,800
Number of customers	45,014	45,433
Miles of water mains	753	749
STEAM HEATING DEPARTMENT:		
Steam sold—pounds	1,698,033,800	1,800,197,400
Number of customers	1,968	2,101
Miles of steam mains	46	46

Geographical Distribution of Registered and Coupon Security Holders
of
Associated Gas and Electric Corporation

As of October, 1934
(DUPLICATIONS ELIMINATED)

Alabama	41	New Hampshire	249
Arizona	17	New Jersey	2,956
Arkansas	246	New Mexico	20
California	3,604	New York	23,849
Colorado	237	North Carolina	46
Connecticut	631	North Dakota	39
Delaware	99	Ohio	867
District of Columbia.....	264	Oklahoma	143
Florida	680	Oregon	259
Georgia	52	Pennsylvania	15,941
Idaho	27	Rhode Island	411
Illinois	2,484	South Carolina	473
Indiana	548	South Dakota	105
Iowa	518	Tennessee	403
Kansas	42	Texas	504
Kentucky	974	Utah	21
Louisiana	755	Vermont	134
Maine	682	Virginia	101
Maryland	579	Washington	337
Massachusetts	4,666	West Virginia	66
Michigan	573	Wisconsin	1,437
Minnesota	428	Wyoming	17
Mississippi	23		
Missouri	702	Total United States.....	67,494
Montana	68	Foreign	2,394
Nebraska	164		
Nevada	12	Grand Total	<u>69,888</u>

Operating Subsidiaries of Associated Gas and Electric Corporation

HAVING NO SECURITIES OUTSTANDING WITH THE PUBLIC

ARIZONA

Arizona General Utilities Company

ARKANSAS

Arkansas General Utilities Company

CONNECTICUT

The Litchfield Electric Light and Power Company

DELAWARE

The Dover Gas Light Company

FLORIDA

Sanford Gas Company

INDIANA

Loogootee Water Company

Ohio River Power Company

Rising Sun Water & Light Company

KENTUCKY

Hopkinsville Water Company

The Owensboro Gas Company

LOUISIANA

Louisiana Public Utilities Co., Inc.

MARYLAND

Associated Maryland Electric Power Corporation

The Maryland Public Service Company

Youghiogheny Hydro-Electric Corporation

MISSOURI

Missouri General Utilities Company

Missouri Southern Public Service Company

NEW JERSEY

Associated Public Utilities Corporation

NEW MEXICO

The Tucumcari Light and Power Company

NEW YORK

Owego Gas Corporation

The Patchogue Electric Light Company

Spring Brook Water Company

OHIO

The Hilliard Light and Power Company

The Jefferson Gas Company

The New Matamoras Electric Company

The New Washington Electric Company

The North Baltimore Water and Electric Company

The Paint Township Light and Power Company

The Portsmouth Gas Company

The Van Wert Gas Light Company

The Wyandot Light & Power Company

OKLAHOMA

Panhandle Public Service Company

PENNSYLVANIA

Clarion Water Company

Johnstown Fuel Supply Company

Penelec Water Company

Solar Electric Company

SOUTH DAKOTA

Sioux Falls Gas Company

TENNESSEE

Dover Power Company

Southern Utilities Company

Tennessee General Utilities Company

TEXAS

Texas General Utilities Company

VERMONT

Granville Electric Company

PHILIPPINE ISLANDS

Eseudero Electric Service Company

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT
1934

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT

INCLUDING DATA REGARDING ASSOCIATED GAS AND ELECTRIC SYSTEM
(PAGES 7 TO 13)

FOR THE YEAR ENDED DECEMBER 31, 1934

ASSOCIATED GAS AND ELECTRIC COMPANY

Officers

J. I. MANGE Chairman and President
S. J. MAGEE Vice-President and General Manager
F. S. BURROUGHS Vice-President
C. A. DOUGHERTY Vice-President and Secretary
O. E. WASSER Treasurer

Directors

FREDERICK S. BURROUGHS	SANFORD J. MAGEE
GEORGE M. COLE	JOHN I. MANGE
CHARLES A. DOUGHERTY	O. E. WASSER

PRINCIPAL OFFICE Ithaca, New York

MANAGERS—OPERATING PROPERTIES

THE UTILITY MANAGEMENT CORPORATION
412 WASHINGTON STREET, READING, PENNSYLVANIA

This report is not a representation, prospectus or circular with respect to any securities of any corporation and is not transmitted in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued or with any preliminary negotiation of or for such sales.

ASSOCIATED GAS AND ELECTRIC COMPANY

ANNUAL REPORT

For the Year Ended December 31, 1934

UNDER the drastic utility legislation which the recent session of Congress has enacted, the Associated Gas and Electric Company and the great majority of other utility holding companies are placed under a modified "death sentence" which becomes effective in 1938.

The practical effect of the Public Utility Act of 1935 (the Wheeler-Rayburn Bill) may be to limit the operations of the Associated System to a single utility group, geographically connected, in a single State or adjoining States. Much will depend upon administration of the holding company provisions of the act by the Securities and Exchange Commission, which is given wide discretionary power. Local electric companies which sell any power across State lines are subjected to drastic regulation under the supervision of the Federal Power Commission.

The most that can be said with certainty at present is that the years ahead will be difficult if not disastrous ones for utilities and for utility security holders. However, it is possible that if public opinion expresses itself clearly and forcefully enough before 1938, the present act may be modified in favor of sounder and more constructive legislation.

Comparison of Operating Results of Company and Subsidiaries

	Years ended December 31		Increase	
	1934	1933†	Amount	%
Gross Operating Revenues.....	\$83,973,088.56	\$81,331,301.24	\$2,641,787.32	3.24
Operating Expenses, Maintenance, etc.....	\$43,021,255.25	\$40,854,769.15	\$2,166,486.10	5.30
Taxes	8,589,931.92	7,855,422.20	734,509.72	9.35
Provision for Retirements.....	7,329,680.04	6,815,360.98	514,319.06	7.54
TOTAL OPERATING EXPENSES, TAXES, ETC.....	\$58,940,887.21	\$55,525,552.33	\$3,415,334.88	6.15
Operating Income.....	\$25,032,201.35	\$25,805,748.91	\$ 773,547.56*	2.99*
Other Income	1,044,200.69	1,725,077.05	680,876.36*	39.46*
Gross Income	\$26,076,402.04	\$27,530,825.96	\$1,454,423.92*	5.28*
Fixed Deductions from Income:				
Subsidiary Companies:				
Operating Utility and Group Companies.....	\$15,878,086.44‡	\$16,263,420.98‡	\$ 385,334.54*	2.36*
Associated Gas and Electric Corporation.....	4,565,239.93	1,429,596.52	3,135,643.41	219.33
Associated Gas and Electric Company.....	6,023,715.62	11,516,298.34	5,492,582.72*	47.69*
TOTAL FIXED DEDUCTIONS FROM INCOME.....	\$26,467,041.99	\$29,209,315.84	\$2,742,273.85*	9.38*
BALANCE (Deficit)	\$ 390,639.95	\$ 1,678,489.88	\$1,287,849.93	—

* Decrease.

† Year ended December 31, 1933 revised for comparative purposes.

‡ Exclusive of that portion of such charges ranking after fixed interest of Associated Gas and Electric Company.

Fixed deductions from income of subsidiary companies above include amortization of debt discount and expense.

ATTACKS FROM OTHER QUARTERS

Agitation for municipal ownership and operation of utility plants is still serious in areas served by companies of the Associated System, and political pressure for rate reductions has been severe. Rate reductions since the beginning of 1934 are estimated to have been about \$3,000,000 annually.

The burden of taxation has continued to increase. Of course, utilities should pay their fair share of taxes, but the rate at which taxes are now being loaded upon the utilities makes one conclude that the purpose of such taxation is to force these companies out of business and to facilitate municipal ownership. Taxes on the Associated Gas and Electric Company and its subsidiaries in 1934 amounted to \$8,589,951.92, which is an increase of 9.3% over the amount for 1933. Last year was the first year in which the full effect of the 3% Federal tax on residential and commercial sales of electricity was felt.

These adverse conditions affect the Company's ability to pay interest and dividends. There would be over \$15,000,000 more for investors if taxes had not been increased and rates had not been reduced since 1928. This would be enough to pay the annual interest on more than \$300,000,000 of securities at the rate of 5%. If this \$15,000,000 were available, 40,000 debenture holders of Associated Gas and Electric Company would still have ample margins of earnings to insure continued payment of interest on their investments; 78,000 holders of Convertible Obligations and Preferred and Preference stocks would be receiving the cash return which they should have; and 102,000 holders of Class A stock would be receiving a return.

RESULTS FROM OPERATIONS

The accompanying financial statements do not include on a consolidated basis Utilities Employees Securities Company, the subsidiary which operates the employees' saving and investment plan. The income statement also does not include on a consolidated basis the subsidiary engineering company (the net profit of which has been credited to consolidated surplus) or the transportation enterprises which have been undergoing reorganization or change to bus operation. Such transportation companies will be included in the consolidated income statements beginning January 1, 1935. In the reports for prior years it was not the practice to include on a consolidated basis certain non-utility subsidiaries, which are included on a consolidated basis in this report.

Operating revenues of \$83,973,088.56, as shown on page 18, were \$2,641,787.32 greater than for the 12 months ended December 31, 1933. This

increase of 3.2% was brought about largely as the result of intensive activities carried on during the year to acquire new business. The Employee Business Building Plan was very effective in promoting the sale of electric and gas appliances. In this plan, employees cooperate voluntarily to find customers who are prospects for increased service.

This increase in operating revenues was more than sufficient to cover increases in operating expenses and maintenance, and was almost enough to absorb the increase in taxes as well. Efforts in securing new business and increased revenues to absorb these greater taxes have been largely nullified by the rapidity with which such taxes increased. Operating income was \$773,547.56 lower than in 1933.

After deduction of underlying charges and fixed interest of the Associated Gas and Electric Company, there was a deficit of \$390,639.95 for the 12 months ended December 31, 1934. The statement of consolidated income does not include non-recurring profits from unusual transactions, such as those which resulted from the reacquisition of debt securities at discounts of approximately \$8,000,000. Expense of the Plan of Rearrangement of Debt Capitalization, amounting to \$2,321,054.63 for the period, has been charged to corporate surplus, as this, while a current cash out-of-pocket expense, is not of a recurring nature.

More than 69,000 holders of Company debentures have exchanged over \$180,000,000 principal amount under the Plan, and sufficient debentures are held to make over two-thirds of the total amount outstanding. Considerably less than \$90,000,000 of Company debentures are now held by the public. Annual interest charges have been reduced approximately \$3,000,000 as the result of the Plan, of which about \$2,800,000 is reflected in the accompanying statement of consolidated income.

The reduction of funded debt of Associated Gas and Electric Company as the result of the Plan of Rearrangement of Debt Capitalization and the reductions of stated capital for stocks made in 1931 and 1932 have accomplished a reorganization, without the expense and disruption of business of the Company and without even a default of fixed interest which a reorganization accompanied by receivership and foreclosure would have caused. In the latter type of reorganization, the corporate deficit would have been deducted from the stated amount of capital, and the enterprise treated as being a substantially new business. In order to complete the process of a voluntary internal reorganization, the accumulated corporate deficit of Associated Gas and Electric Company to December 31, 1934 has been

applied against paid-in capital surplus on the accompanying statement of consolidated surplus.

All maturing obligations have been met successfully. Refinancing in the cases of two subsidiary companies was facilitated through the willingness of affiliated holding companies to subordinate the claims of their own bond holdings. These are illustrations of one benefit from holding companies. One subsidiary operating company which is undergoing a reorganization, now practically completed, the holders of 95% of the total outstanding bonds having agreed to the reorganization, has been making interest payments at the new rate upon deposited and undeposited bonds. The interest arrears at December 31, 1934 on the bonds of this company amounted to \$63,430.46. Two subsidiary sub-holding companies in process of reorganization and liquidation have also been making partial payment of interest charges on funded debt. At December 31, 1934, the interest arrears of these two companies amounted to \$121,462.50. A subsidiary investing company also had interest arrears of \$109,175.00 at December 31, 1934.

Consolidated capital stocks of Associated Gas and Electric Company increased \$13,671,675.75 during 1934, principally as the result of the inclusion of \$8,590,547 certificates entitled Convertible Debenture Certificates, etc., the holders of which have been requested to surrender their

Certificates for stocks into which they were convertible. A part of the change was also due to the retirement of preferred and preference stocks formerly owned by a subsidiary company, with liquidation value of \$4,540,700, which, on a consolidated basis, resulted in an adjustment of capital stocks and capital surplus.

In view of the uncertainties affecting price levels and the value of investments, Associated Gas and Electric Company transferred a total of \$130,000,000 from capital surplus to reserve for contingencies in 1931 and 1932. Of this amount, \$42,000,000 has been used to write down investment in subsidiaries and an additional amount of \$60,000,000 has been applied in consolidation against investments in subsidiaries, leaving \$28,000,000 in the consolidated reserve for contingencies at December 31, 1934.

The consolidated reserve for Federal income taxes at December 31, 1934 amounted to \$4,211,939.28. Owing to the various issues involved, the final liability with respect to additional taxes for prior years cannot at this time be estimated.

Respectfully submitted,

For the Board of Directors,

J. I. MANGE,

President.

August 30, 1935.

AVERAGE MONTHLY REVENUE AND CHARGES PER CUSTOMER

Operating Expenses,
Maintenance
and Provision
for Retirements

\$3.22

Taxes

.56

Interest and
Underlying
Amortization and
Preferred Dividends

1.83

Total Charges

\$5.61

Deficit

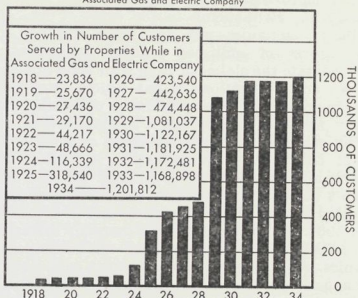
.07

Total Revenue

\$5.54

NUMBER OF CUSTOMERS

Associated Gas and Electric Company



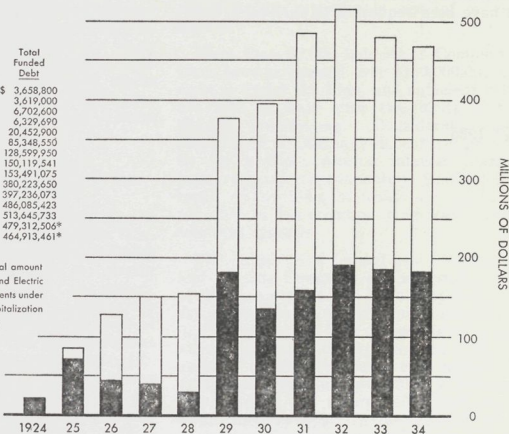
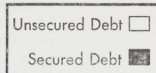
ASSOCIATED GAS AND ELECTRIC COMPANY

and Subsidiary Companies

Comparison of Total Funded Debt with Secured Debt

Year	Secured Debt	Total Funded Debt
1920	\$ 3,658,800	\$ 3,658,800
1921	3,619,000	3,619,000
1922	6,702,600	6,702,600
1923	6,329,690	6,329,690
1924	20,452,900	20,452,900
1925	70,862,150	85,348,550
1926	44,769,600	128,599,950
1927	41,016,224	150,119,541
1928	28,666,534	153,491,075
1929	183,296,445	380,223,650
1930	137,449,818	397,236,073
1931	160,097,853	486,085,423
1932	190,059,500	513,645,733
1933	185,535,400	479,312,506*
1934	181,480,835	464,913,461*

*Exclusive of \$108,673,800 principal amount of debentures of Associated Gas and Electric Company deposited with Escrow Agents under Plan of Rearrangement of Debt Capitalization in 1933 and \$167,546,860 in 1934.



NOTE: Funded debt December 31, 1934 includes \$48,126,600 of debentures of Associated Gas and Electric Corporation which are convertible at holder's option into twice the principal amount of income debentures of Associated Gas and Electric Corporation and will become convertible at the holder's option into twice the principal amount of sinking fund income debentures of Associated Gas and Electric Company.

ASSOCIATED GAS AND ELECTRIC SYSTEM

OPERATIONS AND PROGRESS

For the Year Ended December 31, 1934

IN 1934, for the first time since 1931, gross operating revenues increased over the preceding year. But this gain was more than offset by higher operating costs and a marked increase in taxes. Consequently, net operating revenue declined. The percentage of decrease, however, was only about one-third as great as in 1933. It appears that the period of receding gross earnings may be at an end. However, if taxes continue to rise, as they have in recent years, it will become increasingly difficult to produce net operating revenues adequate to insure profitable operations. Results of the year's operations are summarized below:

1. Gross operating revenues were 3% higher than in 1933. Operating expenses and maintenance increased 8%. Taxes rose 10% over the preceding year. As a result of these substantial increases, which were beyond the control of the Management, net operating revenue dropped 5% below the 1933 figure.

2. New business secured during the year will add an estimated \$6,111,537 to gross annual revenues. This increase resulted from new industrial and commercial installations and from sales of household gas and electric appliances both by companies in the Associated System and by independent dealers.

3. The number of electric customers served increased 3% to a total of 1,001,430 during the

year, passing the million mark for the first time. Customers using gas, water, or steam service increased 2% to 450,159, the largest number served by these departments since 1931.

4. Registered security holders totaled 254,965 on January 1, 1935, an increase of 993 since January 1, 1934. This number includes 8,659 institutions or individuals acting in a fiduciary capacity. Excluding duplications, holders of registered and coupon securities combined exceed 300,000.

5. During the past year, \$4,900,000 was spent for new construction and improvements. This was \$700,000 more than in 1933, but only about 42% of the average annual expenditure during the last five years.

Note—Pages 7 to 13 of this report deal with the Associated Gas and Electric System, which includes the Associated Gas and Electric Company and the New England Gas and Electric Association. Pages 1 to 6 and 14 to 28 deal with Associated Gas and Electric Company, whose operating revenues are 86% of those of the System.

SUMMARY OF OPERATIONS

	1934	1933	% Increase
Number of electric customers	1,001,430	973,111	2.91
Number of customers using gas, water or steam service	450,159	441,813	1.88
Gross operating revenues	\$97,148,431	\$94,297,643	3.02
Operating income	\$27,487,243	\$29,913,918	8.11*
Total electric output in units (kwh.) net.....	3,158,355,186	3,120,099,042†	1.22
Total gas sendout in units (m.c.f.)	18,421,923	16,808,404	9.59
Units of electricity (kwh.) sold per residential customer	510	491	3.86
Units of gas (m.c.f.) sold per residential customer	28.8	28.1	2.49
Approximate annual revenue resulting from New Business activities	\$6,111,537	\$5,631,146	8.53

* % Decrease.

† Electric output for 1933 revised to be on comparable basis with 1934.

EARNINGS

The statement of comparative earnings of the entire System for the latest period available (the twelve months ended July 31, 1935 and 1934) and for the calendar years 1934 and 1933 are given below in the condensed form similar to which they are published each month:

	Twelve months ended July 31		Twelve months ended Dec. 31	
	1935	1934	1934	1933
Electric	\$75,349,163	\$73,844,280	\$74,484,900	\$72,441,620
Gas	16,070,040	15,754,971	15,849,438	15,454,709
Ice	2,567,133	2,402,558	2,630,525	2,299,913
Transportation	3,164,022	1,428,738	1,410,800	1,454,587
Heating	1,594,446	1,576,792	1,569,053	1,442,490
Water	1,182,861	1,214,656	1,203,715	1,204,324
Total Gross Operating Revenues	\$99,927,665	\$96,221,995	\$97,148,431	\$94,297,643
Operating Expenses, Maintenance, etc.	\$53,481,993	\$48,841,990	\$50,518,981	\$46,693,953
Taxes	10,711,076	10,805,064	10,696,073	9,691,133
Total Operating Expenses, Taxes, etc.	\$64,193,069	\$59,647,054	\$61,215,054	\$56,385,086
Net Operating Revenue	\$35,734,596	\$36,574,941	\$35,933,377	\$37,912,557
Provision for Retirements (Renewals and Replacements)	8,986,318	8,341,818	8,446,134	7,998,639
Operating Income	\$26,748,278	\$28,233,123	\$27,487,243	\$29,913,918

RECORD OF OPERATIONS

Both gross and net earnings reached maximum levels in 1930, declined continuously until 1934, when for the first time they began to increase. Although the amount of sales of electric units (kwh.) was larger in 1934 than in 1930, the gross earnings in 1934 were less.

The number of customers served by Associated companies is 1,451,589, which is the highest in

the history of the Associated System. The number of electric customers never ceased to increase during the entire decade, and for the first time exceeded one million in 1934. Gas, water, and steam (particularly gas) customers reached a maximum number in 1930, declined regularly but slightly until 1934, when there was a substantial increase.

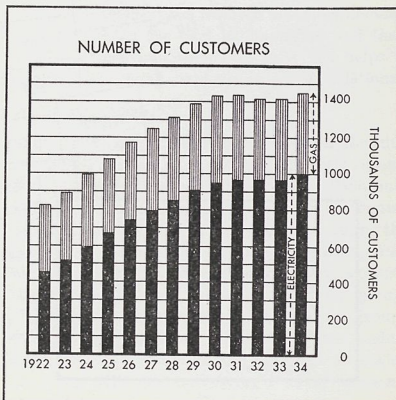
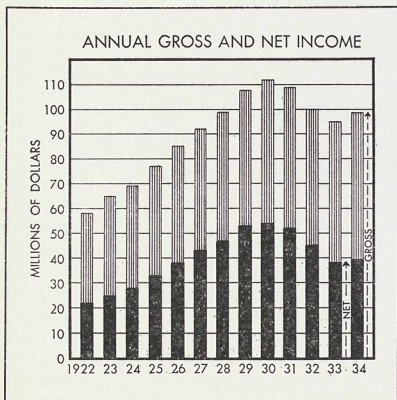
(These statistics include operations of the Associated Gas and Electric Company and subsidiaries and the New England Gas and Electric Association and subsidiaries, which comprise the Associated Gas and Electric System.)

For Years Ended December 31	Annual Earnings		Sales Units (kwh.)	Number of Customers	
	Gross*	Net†		Electric	Gas, Water, Steam
1924.....	\$ 69,794,738	\$28,448,349	1,405,677,796	595,745	400,187
1925.....	77,175,669	33,983,624	1,583,191,145	668,809	416,735
1926.....	85,798,189	38,516,087	1,858,826,215	740,879	435,998
1927.....	92,550,778	43,028,164	1,925,507,892	795,762	451,873
1928.....	99,072,146	47,275,200	2,092,135,929	846,461	464,035
1929.....	108,496,804	53,037,214	2,466,441,783	907,376	480,047
1930.....	112,147,615	54,665,372	2,520,768,793	950,032	480,649
1931.....	109,503,185	52,966,079	2,720,842,436	971,375	466,278
1932.....	100,173,910	45,360,124	2,493,578,126	972,396	444,773
1933.....	95,355,742	38,368,918	2,636,480,660	973,111	441,813
1934.....	98,541,173	39,423,854	2,625,421,920‡	1,001,430	450,159

* Including Non-operating Revenues.

† Before Provision for Retirements and Federal Income Taxes.

‡ Decrease in kwh. sales in 1934 due to change in the method of reporting by certain operating companies.



NEW CONSTRUCTION OF \$4,900,000

Expenditures for extensions and improvements during the past five years have been as follows:

1930.....	\$32,000,000
1931.....	13,000,000
1932.....	4,600,000
1933.....	4,200,000
1934.....	4,900,000

The amount spent in 1934 was only 15% of that spent in 1930. Although adequate service will be maintained, reduced earnings, difficulties of financing, and the uncertain political situation discourage any substantial improvements or extensions in service.

SECURITY HOLDERS INCREASE—TOTAL NUMBER 254,965

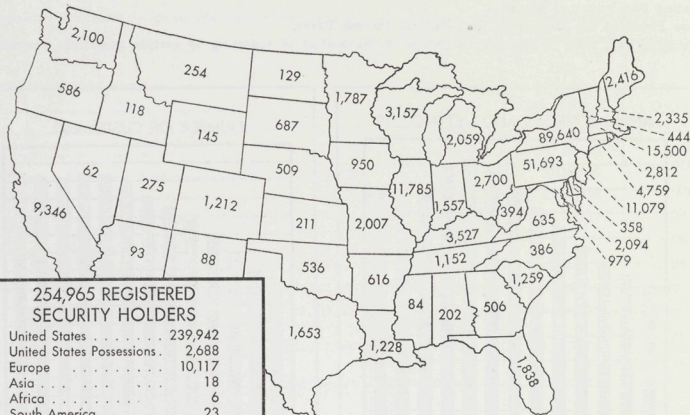
Holders of registered securities numbered 254,965 on January 1, 1935. This is an increase of 993 over the 253,972 on January 1, 1934. Holders of registered and coupon securities combined, excluding duplications, exceed 300,000. There are 239,942 registered security holders in the United States. States which lead in the number of investors are New York, 89,640; Pennsylvania, 51,693; Massachusetts, 15,500; Illinois, 11,785; New Jersey, 11,079; and California, 9,346. There are also registered security holders in 34 foreign countries.

Of the 254,965 registered security holders, 118,326 are also customers of the Associated System. This total also includes 8,659 institutions and fiduciaries, classified as follows:

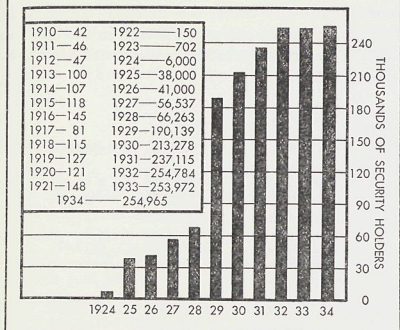
Banks and Trust Companies.....	874
Investment Trusts	302
Investment Funds	692
Schools and Colleges	92
Churches	111
Fraternal and Benevolent Organizations.....	489
Insurance Companies	140
Fiduciaries (including 5,049 individuals)...	5,959

Total..... 8,659

ASSOCIATED GAS AND ELECTRIC SYSTEM 254,965 REGISTERED SECURITY HOLDERS



REGISTERED SECURITY HOLDERS



SOURCES OF OPERATING REVENUES

Electricity:

Residential	28.8%
Commercial	14.8
Power	21.7
Other	11.4
Total Electricity	76.7
Gas	16.3
Total Elec. and Gas	93.0
Other	7.0
Total	100.0%



EMPLOYEE INVESTMENTS EXCEED \$4,000,000

In October, 1935, the Utilities Employees Securities Company, which provides a means of systematic saving and investment for Associated employees, will complete its fourth year of operation. Up to June 30, 1935, employees participating in this program had saved a total of \$4,752,488.07 from their earnings, which has been invested in securities of Associated companies.

\$1,743,000 PAID IN INSURANCE BENEFITS

A total of \$54,250,000 in ordinary life and group insurance is now carried under the Associated Employees Insurance Plan—\$1,239,000 more than a year ago. Payments to beneficiaries since August, 1930, when the Plan started to operate, amount to \$1,743,000. At present 13,877 employees are insured, about 94% of those eligible.

On June 30, this company owned securities having a face value of \$17,157,520. Even at present abnormally low prices, their market value is substantially in excess of the face value of Income Bonds issued against them to Associated employees. Since this plan became effective, interest has been paid regularly in cash to all employees participating, at the rate of 8% a year.

TAXES INCREASE 65% DURING DEPRESSION

During 1934 taxes paid or accrued by the Associated System were \$10,696,073, an increase of \$1,004,940 or 10% over the \$9,691,133 for 1933. Taxes have increased 65% during the four years of depression since 1930. A total of 44 different kinds of taxes are levied upon companies in the Associated System. There are, in addition, many fees, duties, and levies paid to regulatory bodies, as well as indirect taxes included in the prices paid for manufactured articles.

Last year was the first year in which the 3% Federal tax on residential and commercial electric sales was in effect for a full year. A further

One-fourth of all insured employees who died during 1934 carried no other life insurance. An additional 18% had other policies of \$500 or less.

The management has received many testimonials of gratitude on the part of employees and their dependents. Unquestionably, this Plan helps to cement cooperative employee-employer relations.

drain on earnings was the new Federal Revenue Act which prohibited the filing of Federal income tax returns on a consolidated basis. Each subsidiary company is now subject to tax on its own account, thus making it impossible to apply the interest charges of the parent company against the free earnings of subsidiaries and to compute the tax on the net income of the entire group. The new law is particularly severe on groups such as the Associated, which have kept underlying debt at a minimum and provided for major financing with interest-bearing holding company securities.

NEW REVENUE OF \$6,111,537

As the result of its efforts to promote the use of electricity and gas, the New Business Department during 1934 obtained business estimated to produce revenue of \$6,111,537. This was an in-

crease of 8½% over the amount obtained in 1933, and was an important factor in the increase of 3% in gross operating revenues of the Associated System.

ESTIMATED ANNUAL ELECTRIC SALES REVENUE

	1934	1933	Increase
Domestic Appliance Sales, Residential Lighting, and New Customers.....	\$2,523,313	\$2,456,046	\$ 67,267
Industrial Power and Lighting.....	1,199,122	1,109,702	89,420
Commercial and Street Lighting.....	1,117,505	1,060,282	57,223
Total Estimated New Electric Revenue Added.....	<u>\$4,839,940</u>	<u>\$4,626,030</u>	<u>\$213,910</u>

ESTIMATED ANNUAL GAS SALES REVENUE

Domestic Appliance Sales and New Customers.....	\$ 411,641	\$ 333,438	\$ 78,203
House Heating	371,606	272,205	99,401
Industrial	250,762	153,535	97,227
Commercial	237,588	245,938	8,350*
Total Estimated New Gas Revenue Added.....	<u>\$1,271,597</u>	<u>\$1,005,116</u>	<u>\$266,481</u>
Total Estimated Annual New Electric and Gas Revenue Added.....	<u><u>\$6,111,537</u></u>	<u><u>\$5,631,146</u></u>	<u><u>\$480,391</u></u>

* Decrease.

Domestic new business, which constituted more than half of the total, increased about 8% over the comparable new business reported for 1933. Gas house heating business showed a gain of 36%.

Cooperation by independent appliance dealers was of material assistance. Of the domestic electric new business obtained from the sale of appliances and lighting equipment, more than 74% resulted from the sale of equipment by independent dealers, and of the domestic gas new business obtained from the sale of appliances, 39% resulted from such sales by dealers. The following numbers of appliances were sold during the year by dealers and the System:

34,200 electric refrigerators	1,300 gas refrigerators
4,200 electric ranges	11,800 gas ranges
800 electric water heaters	5,900 gas water heaters
1,500 electric ironers	2,800 gas space heaters
	34,500 radios
More than 1,100 gas heating installations for houses were made.	

COOPERATION BY EMPLOYEES

The Employee Business Building Plan continues to play an important part in promoting sales of domestic service. During 1934 it was respon-

sible for the development of new business estimated to produce annual revenue of \$1,378,686, an increase of 39% over the amount for 1933. This business was obtained from 148,405 prospects for the purchases of appliances whose names were secured by employees. This is 16% more prospects than were obtained the previous year. Appliance sales to these prospects totaled \$4,455,234, a third more than similar sales for 1933.

184 NEW INDUSTRIAL CONCERNS

There were 184 new industrial enterprises established in areas served by companies of the Associated System during the past year. This activity resulted largely from cooperative efforts of community organizations, the operating companies of the System, and the System's Industrial Development Division. These new concerns provided employment for 5,973 wage earners. There were 242 existing manufacturing concerns which expanded their operations, and afforded employment to 2,622 more wage earners. The total estimated gas and electric revenue for Associated companies from this new and expanded industrial activity is \$688,154 annually.

RATE REDUCTIONS TOTAL \$3,000,000

In spite of increased operating expenses and rising taxes, companies in the Associated System reduced rates substantially during 1934 and 1935 to date. These reductions, it is estimated, make

possible for Associated customers an annual saving of \$3,000,000, but they also take that much away from security holders whose investments made service possible in the first place.

SIMPLIFYING THE CORPORATE STRUCTURE

The process of simplifying the corporate structure of the Associated System has been under way for many years. Hundreds of companies have been eliminated as a result of mergers or the transfer of their assets to other companies in the System. The System had its period of greatest growth just prior to the depression. Despite the difficulties which arose from the business conditions resulting from the depression, considerable progress continues to be made.

The elimination of corporations and simplification of corporate structure is not brought about by the mere desire to simplify. Problems of great magnitude are encountered whenever such moves are undertaken. Public Service Commissions must usually approve of the transfers of properties or stocks of operating companies, before the

necessary steps can be taken. Holders of minority interests of preferred stocks or bonds must be taken care of, and because of the necessity for paying them the liquidation or call values for their holdings, when it is difficult to raise cash, it is not always possible to make progress until their securities can be retired.

The elimination of the right to file consolidated income tax returns has proved to be the greatest obstacle of all to overcome. Transactions between wholly owned subsidiaries resulting in a "paper profit", might subject the company to tremendous income tax liabilities. This is recognized by some members of Congress who have proposed an exemption from taxes of transactions for the purposes of simplification.

AUDITING

In view of the current political criticism of public utilities, the Associated Gas and Electric Company is fortunate in that it has always maintained a careful system of auditing.

The Associated System maintains a staff of auditors who examine the accounts of local offices, inspecting consumers' accounts receivable, consumers' meter deposits, reports on collections, receipts for materials and supplies, payrolls, etc.

The accounts of the various subsidiaries are audited by Utility Accountants and Tax Consultants, an organization composed of men who are especially qualified by training and experience to ascertain facts and prepare reports for the benefit of the management.

In addition, the accounts of Associated Gas and Electric Company and subsidiaries are regu-

larly examined by independent certified public accountants. The accounts of the parent company have been so examined from the date of incorporation in 1906. Since 1930, all subsidiaries included in the consolidated statements have also been examined by independent certified public accountants (some of them having been previously so examined for varying periods), the management feeling that in times of economic stress its security holders would feel better satisfied to have an independent check on the accuracy of the accounts.

Messrs. Haskins & Sells, Certified Public Accountants, were selected at the annual meeting of stockholders to examine the accounts for the year ended December 31, 1934. A copy of the report of Messrs. Haskins & Sells will be found on pages 14 to 23.

ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES

ACCOUNTANTS' CERTIFICATE

CONSOLIDATED STATEMENTS

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1934 (EXHIBIT A).

Capital Stocks of Associated Gas and Electric Company (Schedule 1).

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31, 1934 (EXHIBIT B).

STATEMENTS OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1934 (EXHIBIT C).

PARENT COMPANY STATEMENTS

BALANCE SHEET, DECEMBER 31, 1934 (EXHIBIT D).

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1934 (EXHIBIT E).

STATEMENTS OF CORPORATE AND CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1934 (EXHIBIT F).

ACCOUNTANTS' CERTIFICATE

Associated Gas and Electric Company:

We have made an examination of the balance sheet of Associated Gas and Electric Company (incorporated in New York) and the consolidated balance sheet of the company and subsidiary companies as of December 31, 1934, and of the related statements of income and surplus for the year 1934. In connection therewith (except with respect to the Manila subsidiaries) we made a review of the accounting methods, examined or tested, in a manner and to the extent which we considered appropriate in view of the companies' systems of internal accounting control, accounting records of the companies and other supporting evidence, and made a general review of the operating and income accounts for the year. We previously made a similar examination for the year 1933. The Manila subsidiaries were examined for the year 1934 by Certified Public Accountants in Manila and the figures for those companies in the accompanying consolidated statements are as shown by the accountants' reports.

The statements in 1934 include on a consolidated basis certain transportation, securities, and other non-operating subsidiaries which in prior years were treated in the consolidated statements as investments. In view of the fact that the transportation companies were, in most instances, under reorganization during a part of the year, their operations (which resulted in a small net income, exclusive of direct surplus charges and credits) have not been included in the statement of consolidated income, and the surplus or deficit at December 31, 1934, has been considered as applicable to date of acquisition. An employees securities company has not been consolidated.

The consolidated statements include the Rochester Gas and Electric Corporation whose common stock, owned within the group, is subject to a voting trust agreement under which a minority of the trustees are elected by the parent company. Cash, receivables (less reserves) and inventories of the corporation included in the consolidated balance sheet amount to approximately \$4,487,000, and accounts payable and accrued taxes, interest and preferred stock dividends to approximately \$3,182,000. In addition, the corporation carries a receivable of approximately \$900,000 due from an affiliated company which eliminates in consolidation. The total operating revenues of the corporation amounted to approximately \$13,624,000 in 1934 and the net income in excess of dividends paid was approximately \$420,000. Surplus of the corporation included in consolidated corporate surplus at December 31, 1934, amounts to approximately \$1,979,000. The latter amount is after treating as a charge to corporate surplus at acquisition (capital surplus in consolidation) \$1,759,374.05 which was charged to corporate surplus by the corporation to reduce the book value of undeveloped water power properties (from \$1,624,846.01 to \$1.00) and of certain other property.

Fixed capital (plant, property, equipment, etc.) has, with relatively minor exceptions, been revalued as of various dates at estimated reproduction cost including going value and other intangibles. The related retirement reserves were also adjusted in this connection. We have not undertaken to verify these valuations. The capital surplus resulting from these valuations has been eliminated in consolidation against the carrying value of investments in subsidiary companies.

Investments are carried at cost or companies' valuation and do not purport to represent realizable values at December 31, 1934.

During the year Associated Gas and Electric Company wrote down the book value of its investments in subsidiaries by a charge of \$42,000,000 against the reserve of \$130,000,000 for contingencies created from capital surplus in 1931 and 1932, and in consolidation an additional \$60,000,000 of the reserve has been applied at December 31, 1934, against investments in subsidiaries, leaving \$28,000,000 in the consolidated reserve. At December 31, 1933, \$94,000,000 of the reserve was applied in consolidation against investments in subsidiaries. The capital surplus of \$50,000,000 reserved for conversion of debentures (less \$1,873,400 in consolidation for debentures held intercorporate) was created through the exchange of Associated Gas and Electric Company debentures for one-half of their principal amount of Associated Gas and Electric Corporation fixed interest debentures.

It is the accounting policy of the operating companies, in general, to make provision for retirements, renewals and replacements of fixed capital in amounts which, when added to maintenance expenditures, equal fixed percentages of gross operating revenues less gas or power purchased rather than on the basis of amortization of fixed capital over the estimated life. In certain exceptions the amounts provided are as determined by the management which amounts have been in excess of the requirements of the bond indentures.

Debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation, whose funded debt has been undergoing rearrangement under exchange offers, was charged to capital surplus in prior periods, and in 1934, as in 1933, no portion thereof was charged to operations. Discount on bonds of these companies reacquired has been credited to capital surplus.

Certain of the subsidiary companies take up as earnings, available for interest and/or dividend charges, the undistributed earnings (less provision for losses) of their subsidiaries. The income of Associated Gas and Electric Company from subsidiaries as shown in the accompanying statement of income on a parent company basis, includes credits for interest and/or dividends out of such earnings.

The net operating income for the year 1934 of a subsidiary engineering company, which has been credited to consolidated corporate surplus, includes profits of approximately \$112,000, resulting from construction fees charged to property accounts.

The charging to capital surplus of the accumulated corporate deficit of Associated Gas and Electric Company at December 31, 1934, was approved at a stockholders meeting held on August 22, 1935.

In our opinion, subject to the foregoing and to final determination of liability for Federal income taxes, the accompanying balance sheets and related statements of income and surplus, with notations thereon, fairly present, in accordance with accepted principles of accounting consistently followed by the companies, their financial condition as of December 31, 1934, and the results of their operations for the year.

New York,
August 27, 1935.

Haskins & Sells

Associated Gas and Electric Company

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1934

ASSETS

FIXED CAPITAL:

Plant, property, equipment, etc. (including going value and other intangibles) at estimated reproduction cost (with relatively minor exceptions) at various dates of revaluation, plus subsequent additions at cost, less retirements, and \$103,109,114.98 uneliminated balance of investments in subsidiaries	\$742,698,589.42
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INVESTMENTS—AT COST OR COMPANIES' VALUATION:

In subsidiary company not consolidated (\$101,000) and affiliated companies (including advances, open accounts, etc.)	\$44,533,788.88	
Other investments (consists principally of securities carried in a group valuation; market value of those securities for which quotations are available, approximately \$1,516,000)	25,946,284.03	70,480,072.91

SPECIAL DEPOSITS FOR MATURED BOND INTEREST, ETC.

Special: Unpresented matured coupons, etc.	\$ 1,348,778.07	
	1,348,778.07	—

SPECIAL DEPOSITS FOR SINKING FUNDS, ETC.

538,047.22

CASH (including working funds)

7,458,442.37

NOTES AND ACCOUNTS RECEIVABLE:

Consumers	\$ 6,976,538.04	
Appliances (including \$621,010.75 pledged against notes payable)	1,453,389.78	
Miscellaneous (including \$186,744.56 due from employees)	1,389,684.73	9,819,612.55

MATERIALS AND SUPPLIES (book inventories)

4,236,756.65

PREPAID EXPENSES

374,866.39

UNAMORTIZED DEBT DISCOUNT AND EXPENSE

7,938,790.46

MISCELLANEOUS UNADJUSTED DEBITS (including balances in closed banks of \$115,181.18)

1,198,600.25

TOTAL

\$844,743,778.22

NOTATIONS: Debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation applicable to the future has been charged to capital surplus.

Certain securities which eliminate in the above statement are pledged as collateral to notes payable and funded debt or deposited under escrow or other agreements.

No provision has been made for undeclared cumulative interest on obligations of Associated Gas and Electric Company convertible into stock at company's option (\$5,563,351.97) and undeclared cumulative dividends on preferred and preference stocks of Associated Gas and Electric Company (\$5,793,503.92).

Interest was paid due on certain bonds of subsidiary companies at December 31, 1934. The principal amounts of such bonds held by the public were as follows: American Utilities Company 6%, due 1945, \$318,000, and 6½%, due 1941, \$41,000; Eastern Utilities Investing Corporation 5%, due 1954, \$1,087,000; Florida Public Service Company 6%, due 1955, \$1,456,300, 6½%, due 1949, \$298,000, and 7%, due 1934, \$91,600; Rochester Central Power Corporation 5%, due 1953, \$1,340,000. Provision, however, has been made in the above statement for the interest accrued to December 31, 1934.

Dividends were in arrears at December 31, 1934, on preferred stocks of the following subsidiary companies: American Utilities Company, Broad River Power Company, Eastern Utilities Investing Corporation, Florida Public Service Company, General Gas & Electric Corporation, New York Central Electric Corporation, Ohio-Midland Light and Power Company, Rochester Central Power Corporation, and Southern Ice and Utilities Company. Provision, however, has been made in the above statement for accrued dividends on these stocks to December 31, 1934.

The company has a contingent liability as guarantor of interest up to 8% per annum on \$3,154,990 principal amount of income bonds of Utilities Employees Securities Company (an indirect subsidiary not consolidated) issued to employees of the Associated Gas and Electric System. There was no interest due and unpaid on these bonds at December 31, 1934.

The companies have a contingent liability of an indefinite amount for additional Federal income taxes claimed by the United States Treasury Department in connection with consolidated returns for prior years. As of December 31, 1934, claims for years 1926 to 1929, inclusive, against the company and/or its subsidiaries included in the consolidated returns amounted to approximately \$14,000,000, exclusive of interest. Subsequent years, and in some instances the year 1929, are still subject to review. One of the principal claims relates to transactions in which the company maintains its position is in accordance with the reorganization provisions of the income tax regulations. The claims are in process of appeal before the United States Board of Tax Appeals or are being contested before the United

EXHIBIT A

Associated Gas and Electric Company and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1934

LIABILITIES

CAPITAL STOCK AND SURPLUS (including capital surplus reserved for conversion of debentures and for other contingencies):		
Capital stock of Associated Gas and Electric Company—Schedule 1.....	\$ 84,638,636.76	
Consolidated surplus—Exhibit C:		
Capital	5,259,193.54	
Corporate	6,413,952.99	
Capital surplus reserved for conversion of debentures (\$48,126,600) and for other contingencies (\$28,000,000)	76,126,600.00	
Capital stock of General Gas & Electric Corporation and Eastern Utilities Investing Corporation, the majority of which rank with stocks of Associated Gas and Electric Company (including applicable surplus).....	24,150,004.57	
Other subsidiary companies' capital stocks:		
Preferred	33,342,323.33	
Common and participating (less applicable deficit).....	325,172.34	\$230,255,883.53
OBLIGATIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY CONVERTIBLE INTO STOCK AT COMPANY'S OPTION (\$51,756,234) AND OBLIGATIONS OF SUBSIDIARY COMPANY OF EQUIVALENT RANK (\$1,087,000)		
		52,843,234.00
FUNDED DEBT AND INTEREST-BEARING SCRIP:		
Associated Gas and Electric Company.....	\$269,052,633.92	
Less: Fixed interest debentures deposited and held by Escrow Agents under Plan of Rearrangement of Debt Capitalization.....	167,546,860.00	
Remainder	\$101,505,773.92	
Subsidiary companies:		
Associated Gas and Electric Corporation.....	115,758,965.00	
Other subsidiary companies (including \$957,700 due in 1935).....	247,648,722.72	464,913,461.64
NOTES PAYABLE (includes \$1,870,000 covered by pledge of bonds of subsidiary companies eliminated in consolidation and \$404,079.72 covered by pledge of appliance accounts receivable).....	5,570,598.78	
ACCOUNTS PAYABLE (including \$91,600 past-due bonds of Florida Public Service Company).....	3,030,473.41	
TAXES ACCRUED	6,198,109.18	
INTEREST AND MISCELLANEOUS ACCRUALS (including \$294,067.96 past-due interest on funded debt of subsidiaries).....	7,844,804.44	
CONSUMERS' SERVICE AND LINE DEPOSITS.....	4,280,620.74	
RESERVE FOR FEDERAL INCOME TAXES (subject to final determination).....	4,211,939.28	
RESERVE FOR RETIREMENTS, RENEWALS AND REPLACEMENTS OF FIXED CAPITAL (including adjustments resulting from revaluation).....	58,475,129.86	
RESERVE FOR DOUBTFUL ACCOUNTS RECEIVABLE.....	1,018,789.00	
CONTRIBUTIONS FOR EXTENSIONS—NON-REFUNDABLE	2,192,311.62	
MISCELLANEOUS RESERVES AND UNADJUSTED CREDITS (including \$1,302,942.79 accrued cumulative dividends not currently being paid on preferred stocks of subsidiaries).....	3,908,422.74	
TOTAL	\$844,743,778.22	

NOTATIONS—(Continued):

States Treasury Department. Because of the numerous issues involved it is impracticable to estimate what the tax liability will be when the cases are finally settled. Since December 31, 1934, the claims as of that date have been reduced by approximately \$4,000,000 at a cash outlay of approximately \$400,000 and in the opinion of officials of the company the remaining claims will be similarly reduced after full consideration of the facts. A reserve of \$4,211,939.28 has been provided in the above statement.

Capital stock of Associated Gas and Electric Company above includes \$8,590,547 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks.

EXHIBIT A

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME

For the year ended December 31, 1934

OPERATING REVENUES:			
Electric	\$65,993,443.04		
Gas	11,381,493.47		
Steam heating, water, ice, transportation, etc.	6,598,152.05		\$83,973,088.56
OPERATING EXPENSES AND TAXES:			
Operating expenses	\$36,139,008.45		
Maintenance	6,882,246.80		
Provision for retirements, renewals and replacements of fixed capital.....	7,329,680.04		
Provision for taxes (including Federal income taxes)	8,589,951.92		58,940,887.21
OPERATING INCOME			\$25,032,201.35
OTHER INCOME:			
Interest and dividends on investments, etc.:			
Subsidiary companies, not consolidated	\$ 23,987.67		
Affiliated companies	172,530.17		
Other	385,502.77		
Income of subsidiary management and other non-utility companies	605,025.62	\$ 1,187,046.23	
Less: Non-operating expenses, not including expenses of Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company (\$2,321,054.63), which were charged to surplus			
	142,845.54		1,044,200.69
GROSS INCOME			\$26,076,402.04
DEDUCTIONS FROM INCOME:			
Subsidiary companies:			
Operating utility and group companies:			
Interest on funded debt	\$11,995,427.13		
Interest on unfunded debt	662,079.44		
Less: Interest charged to construction (credit).....	63,282.20		
Amortization of debt discount and expense	1,225,873.23		
Dividends on preferred stocks paid or accrued	2,057,988.84	\$15,878,086.44	
Associated Gas and Electric Corporation:			
Interest on fixed interest debentures	\$ 2,933,862.27		
Interest on income debentures	1,560,788.22		
Amortization of debt discount and expense	70,589.44	4,565,239.93	
Associated Gas and Electric Company:			
Interest on fixed interest debentures	\$ 5,891,142.58		
Interest on sinking fund income debentures	50,754.62		
Interest on interest-bearing scrip, etc.	81,818.42	6,023,715.62	26,467,041.99
LOSS, EXCLUSIVE OF EXPENSES OF PLAN OF REARRANGEMENT OF DEBT CAPITALIZATION OF ASSOCIATED GAS AND ELECTRIC COMPANY (\$2,321,054.63) AND INTEREST ON THAT COMPANY'S INCOME DEBENTURES (\$5,235.00), WHICH WERE CHARGED TO SURPLUS, AND EXCLUSIVE OF INTEREST ON OBLIGATIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY CONVERTIBLE INTO STOCK AT COMPANY'S OPTION ON WHICH NO INTEREST WAS PAID DURING THE YEAR, AND CUMULATIVE DIVIDENDS UNPAID ON PREFERRED STOCKS OF GENERAL GAS & ELECTRIC CORPORATION AND EASTERN UTILITIES INVESTING CORPORATION			
			\$ 390,639.95

NOTATIONS: No provision has been made in the above statement for amortization of debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation—all such discount and expense has been charged to capital surplus. The funded debt of these companies was subject to exchange offers at December 31, 1934. The exchange offer on Eastern Utilities Investing Corporation has since been withdrawn.

The above statement does not include the operations of certain transportation companies which were under reorganization during part of the year and which in prior years were not consolidated. The surplus or deficit of these companies as of December 31, 1934, has been treated as applicable to date of acquisition. The operating revenues of these companies amounted to approximately \$2,900,000 for the year 1934 and the net income (exclusive of surplus adjustments) to approximately \$23,500.

EXHIBIT B

Associated Gas and Electric Company
and Subsidiary Companies

STATEMENTS OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1934

	<i>Corporate Surplus</i>	<i>Capital Surplus</i>
BALANCE, JANUARY 1, 1934	\$ 4,120,552.32*	\$ 9,660,995.21
ADDITIONS:		
Surplus at January 1, 1934, of subsidiary companies not previously consolidated, including capital surplus arising as a result of the inclusion of such companies in the consolidation	1,457,931.49	2,293,134.38
Adjustment of minority interest in surplus of subsidiaries.....	698,612.65	709,294.26
Discounts on reacquired securities		8,362,094.11
Restoration of portion of capital surplus previously eliminated against inter-company investments in stocks, offset principally by reduction of reserve for contingencies by \$8,000,000		8,592,073.07
Net operating income of subsidiary engineering company.....	69,596.18	
Accumulated corporate deficit of Associated Gas and Electric Company to December 31, 1934, charged to capital surplus.....	12,435,028.56	12,435,028.56
Miscellaneous	199,736.33	182,208.13
Total	\$10,740,402.89	\$17,364,770.60
DEDUCTIONS:		
Loss for the year—Exhibit B.....	\$ 390,639.95	
Interest on Associated Gas and Electric Company income debentures.....	5,285.00	
Expenses of Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company	2,321,054.63	
Unpaid interest and cumulative preferred dividends of General Gas & Electric Corporation and Eastern Utilities Investing Corporation (dependent upon income from investments in securities of Associated Gas and Electric Company on none of which is any income being currently received)	504,671.48	
Payment to insurance company (in addition to current year's accrual charged to operations) to augment employees' pension fund of Rochester Gas and Electric Corporation	500,000.00	
Adjustment of excess reproduction cost valuations of fixed capital, and excess reproduction cost of property retired or sold (net).....		\$ 5,442,380.72
Reduction of book values of certain undeveloped water power properties to \$1.00 (\$1,624,845.01) and other property (\$134,529.04)—charged against corporate surplus by subsidiary		1,759,374.05
Capital stocks reacquired and/or retired (including former inter-company holding previously eliminated from stated capital at liquidation value, \$4,540,700.00).....		4,764,780.45
Miscellaneous	604,798.84	139,041.84
Total	\$ 4,326,449.90	\$12,105,577.06
BALANCE, DECEMBER 31, 1934	\$ 6,413,952.99	\$ 5,259,193.54

* Deficit.

NOTATIONS: The above statement of "corporate surplus" does not include any charge for amortization of debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation—all such discount and expense has been charged to capital surplus in prior years. The funded debt of these companies was subject to exchange offers at December 31, 1934. The exchange offer on Eastern Utilities Investing Corporation has since been withdrawn. See notation to consolidated balance sheet regarding interest and dividends in arrears for which no provision has been made above.

EXHIBIT C

Associated Gas and Electric Company

BALANCE SHEET

December 31, 1934

ASSETS

INVESTMENTS IN SUBSIDIARIES:

Common stocks—Entire issue in each case—at company's valuation:

Associated Gas and Electric Corporation—6,710,000 shares of \$1.00 par value each \$507,624,540.00
Eastern Utilities Securities Corporation—6,000 shares of \$1.00 par value each 42,000.00

Convertible obligations of Eastern Utilities Securities Corporation (principal amount \$51,830,000) 11,830,000.00

Accounts receivable:

*The Associated Corporation 3,970,480.00

Associated Gas and Electric Corporation 344,138.19

*Associated Gas and Electric Securities Company (Del.) 1,784,000.00

Eastern Utilities Securities Corporation 1,309,536.51 \$526,904,694.70

SPECIAL DEPOSITS FOR MATURED BOND INTEREST \$ 205,999.44

Less: Unpresented matured coupons, etc. 205,999.44 —

OTHER SPECIAL DEPOSITS 576.95

CASH 4,963.20

MISCELLANEOUS UNADJUSTED DEBITS 668.92

CONTRA TO LIABILITY FOR ASSUMPTION OF BONDS OF SUBSIDIARY COMPANY DUE 1953, INCLUDED IN FUNDED DEBT 1,000,000.00

TOTAL \$527,910,903.77

LIABILITIES

CAPITAL STOCK (including stock to be issued) AND SURPLUS (including capital surplus reserved for conversion of debentures and for other contingencies):

Stated capital \$189,605,595.76†

Surplus—Exhibit F:

Capital \$ 3,796,533.27

Corporate — 3,796,533.27

Capital surplus reserved for conversion of debentures (\$50,000,000) and for other contingencies (\$88,000,000) 138,000,000.00 \$331,402,129.03

OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION 78,327,134.00

FUNDED DEBT:

Fixed interest debentures \$279,276,000.00

Less: Fixed interest debentures deposited and held by Escrow Agents under the Plan of Rearrangement of Debt Capitalization 167,546,860.00 \$111,729,140.00

Sinking fund income debentures 1,279,250.00

Income debentures 105,700.00

Interest-bearing scrip due 1937 and 1938 (including interest accrued to December 31, 1934, payable at maturity of scrip) 974,179.80 114,088,269.80

TAXES ACCRUED 75,433.48

INTEREST ACCRUED 1,693,034.85

RESERVE FOR TAXES (including Federal income taxes subject to final determination) 2,010,542.59

MISCELLANEOUS RESERVES 314,360.02

TOTAL \$527,910,903.77

SEE NOTATIONS ON FOLLOWING PAGE

EXHIBIT D

Associated Gas and Electric Company

NOTATIONS TO BALANCE SHEET

December 31, 1934

* Indirect subsidiaries of Associated Gas and Electric Company.

† Includes \$8,591,547 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks.

No provision has been made in the above statement for unpaid cumulative interest on obligations convertible into stocks at company's option, \$7,722,332.59, and unpaid cumulative dividends on preferred and preference stocks, \$24,646,480.75. Of the foregoing amounts, \$5,503,351.97 and \$5,793,503.92 apply, respectively, to securities held by the public, and the balance applies to securities held intercorporate.

The company and its subsidiaries have a contingent liability of an indefinite amount for additional Federal income taxes claimed by the United States Treasury Department in connection with consolidated returns for prior years. As of December 31, 1934 claims for years 1926 to 1929, inclusive, against the company and/or its subsidiaries included in the consolidated returns amounted to approximately \$14,000,000, exclusive of interest. Subsequent years, and in some instances the year 1929, are still subject to review. One of the principal claims relates to transactions in which the company maintains its position is in accordance with the reorganization provisions of the income tax regulations. The claims are in process of appeal before the United States Board of Tax Appeals or are being contested before the United States Treasury Department. Because of the numerous issues involved it is impracticable to estimate what the tax liability will be when the cases are finally settled. Since December 31, 1934, the claims as of that date have been reduced by approximately \$4,000,000 as a cash outlay of approximately \$400,000 and in the opinion of officials of the company the remaining claims will be similarly reduced after full consideration of the facts. A reserve of \$2,010,542.59 has been provided in the above statement and additional reserves of \$2,201,396.69 have been provided by subsidiary companies consolidated, or a total of \$4,211,939.28.

The company has a contingent liability in connection with a joint agreement to indemnify another corporation for any loss sustained through its guarantee of principal and interest on joint and refunding mortgage 5% bonds of Empire Gas and Electric Company and Empire Coke Company (principal amount \$4,543,000 due in 1941, of which \$14,000 are held in treasury of Empire Gas and Electric Company and \$1,860,000 pledged with trustee as collateral to Empire Gas and Electric Company's general and refunding mortgage bonds 6% series A, due 1952) and of dividends on \$315,000 par value of Empire Gas and Electric Company's series A 6% cumulative preferred stock. Empire Gas and Electric Company is an indirect subsidiary of Associated Gas and Electric Company, and Empire Coke Company has been merged with the said subsidiary. There was no interest on the bonds or dividends on the stock due and unpaid at December 31, 1934. The company also has a contingent liability as guarantor of interest up to 8% per annum on \$3,154,990 principal amount of income bonds of Utilities Employees Securities Company (an indirect subsidiary) issued to employees of the Associated Gas and Electric System. There was no interest due and unpaid on these bonds at December 31, 1934.

Associated Gas and Electric Company

STATEMENT OF INCOME

For the year ended December 31, 1934

INCOME:

From subsidiary companies:

Dividends (from Associated Gas and Electric Corporation)	\$4,205,160.44
Interest on open accounts	178,727.16
TOTAL	\$4,383,887.60

Less: Income received from underlying companies which is contra to interest paid by Associated Gas and Electric Company thereto	520,261.18
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REMAINDER	\$3,863,626.42
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PROVISION FOR TAXES	32,112.83
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BALANCE OF INCOME BEFORE INTEREST AND \$2,321,054.63 EXPENSES OF PLAN OF REARRANGEMENT OF DEBT CAPITALIZATION	\$3,831,513.59
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INTEREST ON FIXED INTEREST DEBENTURES AND SINKING FUND INCOME DEBENTURES (less \$466,332.38 paid to underlying companies which is contra to the extent of a like amount of income received by Associated Gas and Electric Company from the underlying companies)	\$5,970,750.04
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INTEREST ON INTEREST-BEARING SCRIP, ETC.	81,818.42	6,052,568.46
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LOSS, EXCLUSIVE OF EXPENSES OF PLAN OF REARRANGEMENT OF DEBT CAPITALIZATION (\$2,321,054.63) AND INTEREST ON INCOME DEBENTURES (\$5,285.00), WHICH WERE CHARGED TO SURPLUS, AND INTEREST ON OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION ON WHICH NO INTEREST WAS PAID DURING THE YEAR	\$2,221,054.87
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NOTATION: No provision has been made in the above statement for amortization of debt discount and expense—all such discount and expense has been charged to capital surplus. The funded debt of the company is subject to rearrangement under exchange offers outstanding.

EXHIBIT E

Associated Gas and Electric Company

STATEMENTS OF CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1934

	<i>Corporate Surplus</i>	<i>Capital Surplus</i>
BALANCE, JANUARY 1, 1934.....	\$ 7,863,388.90*	\$ 9,660,995.21
ADDITIONS:		
Discount on acquisitions of company's convertible obligations.....		5,730,608.27
Discount on acquisitions of company's debentures (less discount of \$98,041.23 on debentures issued)		1,168,166.06
Income received from underlying companies paid from surplus which is contra to interest paid by Associated Gas and Electric Company to the underlying companies in prior years.....	53,928.80	
Accumulated corporate deficit of Associated Gas and Electric Company to December 31, 1934, charged to capital surplus.....	12,435,028.56	12,435,028.56
TOTAL	\$ 4,625,568.46	\$ 4,124,740.98
DEDUCTIONS:		
Loss for the year—Exhibit E.....	\$ 2,321,054.87	
Expenses of Plan of Rearrangement of Debt Capitalization.....	2,321,054.63	
Interest on income debentures	5,285.00	
Adjustment of interest applicable to prior period.....	78,173.96	
Capital stock reacquired and/or retired		\$ 293,248.45
Miscellaneous		34,959.26
TOTAL	\$ 4,625,568.46	\$ 328,207.71
BALANCE, DECEMBER 31, 1934.....	\$ —	\$ 3,796,533.27

* Deficit.

NOTATIONS: All debt discount and expense has been charged to capital surplus.

The funded debt of the Company is subject to rearrangement under exchange offers outstanding.

See notation to balance sheet regarding interest and dividends in arrears for which no provision has been made above.

EXHIBIT F

Associated Gas and Electric Company
and Subsidiary Companies

CAPITAL STOCKS OF ASSOCIATED GAS AND ELECTRIC COMPANY

December 31, 1934

<i>Description</i>	<i>Dates to which cumulative dividends have been paid</i>	<i>Number of shares outstanding with public</i>	<i>Stated capital</i>
*Cumulative Preferred Stock (without par value):			
Original series	Oct. 1, 1932	39,355	}
\$5.00 dividend series (less 173,249 shares in treasury).....	June 15, 1932	56,400	
\$5.50 dividend series	June 15, 1932	258	
\$6.00 dividend series (including 123 shares to be issued, less 10 shares in treasury).....	June 1, 1932	158,235.97	
\$6.50 dividend series (including 20 shares to be issued).....	June 1, 1932	68,588	
\$7.00 dividend series	Oct. 1, 1932	100,103.5	
*Cumulative Preference Stock (without par value):			
\$4.00 cumulative preference (less 10,203 shares in treasury)	May 1, 1932	44,348	}
\$5.00 cumulative preference	None paid	185	
\$5.50 cumulative preference	June 15, 1932	13,636	
\$6.00 cumulative preference (including 105 shares to be issued)	Apr. 1, 1932	5,622	
\$6.50 cumulative preference (including 11 shares to be is- sued, less 1 share in treasury).....	Apr. 1, 1932	7,257	
Class A Stock—Par value \$1.00 a share (preferred as to assets —after liquidation of preferred and preference stocks—up to \$35.00 a share, plus one-half of the remaining assets after Class B and common stocks have received in the aggregate an amount equal to \$35.00 a share on the Class A stock), less 1,574,811 shares in treasury.....				$84,638,636.76
			4,489,414†
Class B Stock—Par value \$1.00 a share (preferred as to assets—after liquidation of preferred and preference stocks and distribution of \$35.00 a share to holders of Class A stock—to \$35.00 a share, but not to exceed in the aggregate an amount equal to \$35.00 a share on the outstanding Class A stock)			607,953
Common Stock—Par value \$1.00 a share (less 643,896 shares held in treasury)			1,106,776
Common stock purchase rights			23,339 rts.
Optional stock purchase warrants			6,077,634.5 wts.
Warrants on Associated Gas and Electric Corporation 8% bonds due 1940, for purchase of 76,077.2 shares of Asso- ciated Gas and Electric Company common stock.....			—
TOTAL			\$84,638,636.76

NOTATIONS:

* Includes shares represented by \$8,590,547 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks, as follows: cumulative preferred, \$5.00 dividend series, 18,135 shares; \$5.50 dividend series, 92 shares; \$6.00 dividend series, 57,611.97 shares; \$6.50 dividend series, 3,718 shares; \$7.00 dividend series, 3,685.5 shares; and 2,660 shares of \$6.00 cumulative preference.

† Includes 12,323 shares represented by transferable subscription receipts; 78,624 shares represented by 6% convertible debenture certificates for Class A stock; and 774 shares represented by Class A receipts for 6% convertible debenture certificates—Series C.

The cumulative preferred stock is preferred as to assets, in the event of liquidation, up to \$100.00 a share plus any unpaid cumulative dividends, except in the case of the original series preferred stock which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

After the liquidation of the preferred stocks the cumulative preference stock is preferred as to assets up to \$100.00 a share plus any unpaid cumulative dividends, except in the case of the \$4.00 cumulative preference stock which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

Stocks of Associated Gas and Electric Company held by companies included in the consolidation and which eliminate above at liquidation value are as follows: cumulative preferred, \$5.00 dividend series, 169,199 shares; \$4.00 cumulative preference, \$50,270 shares; \$6.00 cumulative preference, 367,799 shares; \$6.50 cumulative preference, 7,130 shares; due bills for 80,393 shares; \$6.50 cumulative preference; Class A, 359 shares; and 10 shares of \$6.00 cumulative preferred stock represented by \$1,000.00 convertible obligations called for conversion.

SCHEDULE I

Associated Gas and Electric Company
and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

*Capital stock of Associated Gas and Electric Company	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Preferred:			
Original Series—Cumulative (\$3.50)	39,355	—	39,355
\$7.00 Series—Cumulative	100,103.5	—	100,103.5
\$6.50 Series—Cumulative	68,588	—	68,588
\$6.00 Series—Cumulative	158,245.97	10	158,235.97
\$5.50 Series—Cumulative	258	—	258
\$5.00 Series—Cumulative	225,599	169,199	56,400
Preference:			
\$6.50 Series—Cumulative	94,780	87,523	7,257
\$6.00 Series—Cumulative	373,421	367,799	5,622
\$5.50 Series—Cumulative	13,636	—	13,636
\$5.00 Series—Cumulative	185	—	185
\$4.00 Series—Cumulative	894,618	850,270	44,348
Class A	4,489,773	359	4,489,414
Class B	607,953	—	607,953
Common	1,106,776	—	1,106,776
Optional Stock Purchase Warrants	1,238,865.9†	—	1,238,865.9†
Common Stock Purchase Rights	87,188‡	11,110.8‡	76,077.2

* Includes unsundered certificates entitled Convertible Debenture Certificates, etc., the holders of which were advised, at the time of notice of conversion thereof into stocks at the Company's option in 1932, that they would be treated as holders of Convertible Obligations, but who have since been advised of the closing of this optional offer, and requested to surrender their certificates for stocks into which they were convertible.

† Shares of Class A Stock issuable upon exercise of warrants.

‡ Shares of Common Stock issuable upon exercise of warrants.

Stocks, the majority of which are of equal rank with preferred and preference stocks of Associated Gas and Electric Company	Shares outstanding	Shares eliminated in consolidation	Shares held by public
EASTERN UTILITIES INVESTING CORPORATION:			
Priority Preferred—Cumulative (\$5.00)	75,000	74,916	84
\$7.00 Preferred—Cumulative	11,734	11,387	347
\$6.00 Preferred—Cumulative	68,331	68,259	72
Participating Preference	175,000	174,894	106
Class A—Common	910,060	863,214	46,846
GENERAL GAS & ELECTRIC CORPORATION:			
\$8.00 Cumulative Preferred	15,343.85	11,799.5	3,544.35
\$7.00 Cumulative Preferred	22,266.9	15,076.5	7,190.4
\$6.00 Cumulative Convertible Preferred, Series A and B ..	619,811.925	559,144	60,667.925
Class A—Common	4,911,700	2,677,433	2,234,267
Class B—Common	3,047,000	3,035,194	11,806

Preferred stocks of subsidiary companies	Rate	Shares outstanding	Shares eliminated in consolidation	Shares held by public
American Utilities Company—Cumulative	7	12,947	12,308	639
Broad River Power Company—Cumulative	7	38,105	36,128	1,977
Empire Gas and Electric Company—Series A—Cumulative ..	6	3,150	1,694	1,456
Empire Gas and Electric Company—Series C—Cumulative ..	7	13,816	6,645	7,171
Empire Gas and Electric Company—Series D—Cumulative ..	6	9,803	7,299	2,504
Florida Public Service Company—Cumulative	7	21,652	20,875	777
Metropolitan Edison Company—Cumulative	7	17,252	10,920	6,332
Metropolitan Edison Company—Cumulative	6	187,688	81,627	106,061
Metropolitan Edison Company—Cumulative	5	5,885	5,548	337
New Jersey Power & Light Company—Cumulative	6	33,060	21,670	11,390
New Jersey Power & Light Company—Cumulative	5	1,041	1,023	18
New York Central Electric Corporation—Cumulative	7	46,681	34,203	12,478
Ohio-Midland Light and Power Company—Cumulative	5	1,978.6	1,874.37	104.23
Rochester Central Power Corporation—Cumulative	6	180,000	174,118	5,882
Rochester Gas and Electric Corporation—Cumulative:				
Series B	7	40,000	12,919	27,081
Series C	6	27,000	12,572	14,428
Series D	6	171,871	37,510	134,361
Southern Ice Company, Inc.:				
Cumulative	7	30,000	29,611	389
Participating Cumulative	7	4,020	3,982	38

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Common and participating stocks of subsidiary companies	Shares outstanding	Shares eliminated in consolidation	Shares held by public
American Utilities Company	87,441	87,109	332
The Clarion River Power Company—Participating	44,530	39,708.3	4,821.7
*Cold Spring Light, Heat and Power Company	152	137	15
Ohio-Midland Light and Power Company—Class A	3,778.6	3,596.27	182.33
Reading Traction Company	20,000	19,896	104
Rochester Central Power Corporation	1,600,000	1,595,547	4,453
Southern Ice Company, Inc.—Class A	32,680	31,382	1,298
Southern Ice Company, Inc.—Class B	140,111	135,834	4,277
West Virginia Light, Heat and Power Company	5,000	4,655	345

* The property of this company has been sold since December 31, 1934.

Obligations of Associated Gas and Electric Company convertible into stock at Company's option	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
Convertible Obligations, Series A	7	\$ 4,471,000	\$ —	\$ 4,471,000
Convertible Obligations, Series A	6½	1,212,500	—	1,212,500
Convertible Obligations, Series A	6	25,767,256	—	25,767,256
Convertible Obligations, Series A	5½	593,378	—	593,378
Convertible Obligations, Series A	5	44,668,900	26,570,900	18,098,000
Convertible Obligations, Series B	6	1,614,100	—	1,614,100
Total				\$51,756,234

Obligations of equivalent rank with obligations convertible into stock at Company's option of Associated Gas and Electric Company	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
EASTERN UTILITIES INVESTING CORPORATION:				
Debentures, due 1954	5	\$ 7,500,000	\$ 6,413,000	\$ 1,087,000

Funded debt of Associated Gas and Electric Company	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by Escrow Agents	Amount held by public
Debentures, due 1983	4	\$16,458,190.00	\$ 3,411,410.00	\$10,846,970.00	\$ 2,199,810.00
Convertible Debentures, due 1977	5½	9,727,000.00	1,760,500.00	4,051,000.00	3,915,500.00
Debtenture Bonds, Consolidated Refunding:					
Series due 1968	5	85,831,850.00	56,600.00	53,666,900.00	32,108,350.00
Series due 1958	4½	17,633,000.00	455,500.00	10,295,600.00	6,881,900.00
Convertible Debentures, due 1950	5	50,133,000.00	27,000.00	28,165,800.00	21,940,200.00
Convertible Debentures, due 1949	4½	66,306,100.00	13,000.00	44,318,800.00	21,974,300.00
Convertible Debentures, due 1948	4½	3,936,990.00	—	2,116,980.00	1,820,010.00
Convertible Investment Certificates	5½	20,716,000.00	5,819,500.00	9,244,000.00	5,652,500.00
Convertible Debenture Bonds, due 1965	5	7,531,870.00	30,490.00	4,840,810.00	2,660,570.00
Debtenture Bonds, due 2875	5	2,000.00	—	—	2,000.00
Sinking Fund Income Debentures, due 1983:					
Series A	5½	312,560.00	3,280.00	—	309,280.00
Series B	5	649,880.00	1,125.00	—	648,755.00
Series C	4½	168,390.00	3,000.00	—	165,390.00
Series D	4	148,420.00	—	—	148,420.00
Income Debentures, due 1983	5	105,700.00	—	—	105,700.00
Interest-Bearing Scrip, due 1937 and 1938	7	974,179.80	1,090.88	—	973,088.92
Total					\$101,505,773.92

Associated Gas and Electric Company
and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Funded debt of Associated Gas and Electric Corporation	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
Bonds, due 1940.....	8	\$ 9,585,300.00	\$ 1,987,080.00	\$ 7,598,220.00
Convertible Debentures, due 1973.....	5½	3,702,550.00	32,000.00	3,670,550.00
Convertible Debentures, due 1973.....	5	25,736,870.00	1,534,000.00	24,202,870.00
Convertible Debentures, due 1973.....	4½	18,806,730.00	307,400.00	18,499,330.00
Convertible Debentures, due 1973.....	4	1,753,850.00	—	1,753,850.00
Income Debentures, due 1978.....	4½	5,578,220.00	62,860.00	5,515,360.00
Income Debentures, due 1978.....	4	34,549,040.00	354,015.00	34,195,025.00
Income Debentures, due 1978.....	3¾	18,507,850.00	5,301,020.00	13,206,830.00
Income Debentures, due 1978.....	3½	7,190,850.00	73,420.00	7,117,430.00
Total				\$115,758,965.00
Funded debt of other subsidiary companies	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
ASSOCIATED ELECTRIC COMPANY:				
Bonds, due 1953.....	4½	\$ 30,000,000.00	\$ 2,546,800.00	\$ 27,453,200.00
Bonds, due 1961.....	5	35,000,000.00	276,600.00	34,723,400.00
BINGHAMTON LIGHT, HEAT & POWER Co.:				
First Refunding Mortgage, due 1946.....	5	6,971,000.00	422,000.00	6,549,000.00
BROAD RIVER POWER COMPANY:				
First and Refunding Mortgage, Series A, due 1954.....	5	8,000,700.00	4,733,300.00	3,267,400.00
CANADEA POWER CORPORATION:				
First Mortgage, due 1958.....	5	2,000,000.00	—	2,000,000.00
CHASM POWER COMPANY:				
First Mortgage, due serially to 1948.....	5	8,000.00	—	8,000.00
COLUMBIA RAILWAY, GAS AND ELECTRIC COMPANY:				
First Mortgage Sinking Fund, due 1936.....	5	1,449,500.00	19,500.00	1,430,000.00
DELAWARE GAS LIGHT COMPANY:				
First Mortgage, due 1939.....	5	143,000.00	6,000.00	137,000.00
ELMIRA WATER, LIGHT AND RAILROAD COMPANY:				
First Consolidated Mortgage, due 1956.....	5	5,000,000.00	75,000.00	4,925,000.00
EMPIRE GAS AND ELECTRIC COMPANY:				
General and Refunding Mortgage, Series A, due 1952.....	6	1,860,000.00	49,000.00	1,811,000.00
EMPIRE GAS AND ELECTRIC Co. AND EMPIRE COKE Co.:				
Joint First and Refunding Mortgage, due 1941.....	5	2,669,000.00	48,000.00	2,621,000.00
ERIE LIGHTING COMPANY:				
First Mortgage Sinking Fund, due 1967.....	5	4,860,500.00	38,500.00	4,822,000.00
FRANKFORT WATER COMPANY:				
First Mortgage Sinking Fund, due 1936.....	5	89,000.00	—	89,000.00
GENERAL GAS & ELECTRIC CORPORATION:				
Serial Notes, due 1935 and 1936.....	5	810,650.00	439,500.00	371,150.00
Notes, due 1935 and 1936.....	5	1,187,350.00	400,650.00	786,700.00
Interest-Bearing Serip, due 1937 and 1938.....	7	1,128,864.58	167,557.35	961,307.23
GENESEE VALLEY POWER COMPANY, INC.:				
First Mortgage, due Serially to 1953.....	6	80,500.00	—	80,500.00
INDIANA GAS UTILITIES COMPANY:				
First Mortgage, due 1946.....	5	815,000.00	84,000.00	731,000.00
THE LAKE SHORE GAS COMPANY:				
First Mortgage, due 1950.....	5½	604,000.00	81,000.00	523,000.00
LEXINGTON WATER POWER COMPANY:				
First Mortgage, due 1968.....	5	11,641,900.00	3,228,300.00	8,413,600.00
LOCKPORT LIGHT, HEAT AND POWER COMPANY:				
First Mortgage, Series A, due 1954.....	5½	1,218,000.00	73,000.00	1,145,000.00
LONG ISLAND WATER CORPORATION:				
First Mortgage, due 1955.....	5½	2,144,000.00	70,000.00	2,074,000.00

Associated Gas and Electric Company
and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Funded debt of other subsidiary companies	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
MANILA ELECTRIC COMPANY:				
First Refunding Mortgage, due 1946.....	5	\$ 50,000.00	\$ 32,000.00	\$ 18,000.00
THE MANILA ELECTRIC RAILROAD AND LIGHTING CORP.:				
First Lien and Collateral Trust, due 1953.....	5	2,467,000.00	1,786,000.00	681,000.00
THE MANILA SUBURBAN RAILWAYS COMPANY:				
First Mortgage, due 1946.....	5	53,000.00	—	53,000.00
METROPOLITAN EDISON COMPANY:				
First and Refunding Mortgage, Series C, due 1953.....	5	6,332,600.00	—	6,332,600.00
First Mortgage, Series D, due 1968.....	4½	22,830,500.00	706,400.00	22,124,100.00
First Mortgage, Series E, due 1971.....	4	4,684,000.00	3,000.00	4,681,000.00
First Mortgage, Series F, due 1962.....	5	5,479,500.00	6,800.00	5,472,700.00
THE METROPOLITAN EDISON CORPORATION:				
Secured Consolidated Refunding, due 1961.....	6	10,000,000.00	9,417,600.00	582,400.00
THE MOHAWK VALLEY COMPANY:				
Consolidated Refunding, due 1991.....	6	2,736,400.00	2,165,900.00	570,500.00
Debentures, due 2031.....	6	240,100.00	60,600.00	179,500.00
NEW JERSEY POWER & LIGHT COMPANY:				
First Mortgage, due 1960.....	4½	13,920,000.00	63,400.00	13,856,600.00
NEW YORK CENTRAL ELECTRIC CORPORATION:				
First Mortgage, due 1950.....	5½	3,284,500.00	167,500.00	3,117,000.00
First Mortgage, due 1952.....	5	1,153,000.00	427,000.00	726,000.00
NEW YORK STATE ELECTRIC & GAS CORPORATION:				
First Mortgage, due 1962.....	5½	3,445,000.00	24,000.00	3,421,000.00
First Mortgage, due 1952.....	6	361,000.00	39,000.00	322,000.00
First Mortgage, due 1980.....	4½	17,094,500.00	4,908,900.00	12,185,600.00
First Mortgage, due 1960.....	4½	3,124,000.00	1,943,500.00	1,180,500.00
NORTHERN PENNSYLVANIA POWER COMPANY:				
First and Refunding Mortgage, Series A, due 1956.....	5	1,383,900.00	40,000.00	1,343,900.00
First and Refunding Mortgage, due 1962.....	5	2,089,600.00	699,300.00	1,390,300.00
THE PARR SHOALS POWER COMPANY:				
First Mortgage Sinking Fund, due 1952.....	5	2,037,000.00	15,000.00	2,022,000.00
PENN PUBLIC SERVICE CORPORATION:				
First and Refunding Mortgage, Series C, due 1947.....	6	4,549,000.00	287,000.00	4,262,000.00
First and Refunding Mortgage, Series D, due 1954.....	5	2,435,000.00	136,000.00	2,299,000.00
PENNSYLVANIA ELECTRIC COMPANY:				
First and Refunding Mortgage, Series H, due 1962.....	5	17,313,500.00	6,134,900.00	11,178,600.00
First and Refunding Mortgage, Series F, due 1971.....	4	6,000,000.00	293,200.00	5,706,800.00
RICHMOND LIGHT & RAILROAD COMPANY:				
First and Collateral Trust, due 1952.....	4	1,000,000.00	91,000.00	909,000.00
ROCHESTER GAS AND ELECTRIC CORPORATION:				
General Mortgage, Series C, due 1948.....	5½	3,952,000.00	—	3,952,000.00
General Mortgage, Series D, due 1977.....	4½	6,000,000.00	—	6,000,000.00
General Mortgage, Series E, due 1962.....	5	8,323,000.00	—	8,323,000.00
ROCHESTER RAILWAY AND LIGHT COMPANY:				
Consolidated Mortgage, due 1954.....	5	10,803,000.00	100.00	10,802,900.00
ROOSEVELT WATER, POWER AND LIGHT COMPANY:				
First Mortgage, due serially to 1944.....	6	12,000.00	—	12,000.00
THE SCIOTO VALLEY RAILWAY AND POWER COMPANY:				
First Mortgage, due 1943.....	6	1,076,000.00	2,500.00	1,073,500.00
SENECA POWER CORPORATION:				
First Mortgage, due 1946.....	6	399,000.00	12,500.00	386,500.00
TRACY DEVELOPMENT COMPANY:				
First Mortgage, due 1944.....	6	230,000.00	6,000.00	224,000.00
UNION GAS & ELECTRIC COMPANY:				
First Mortgage, due 1935.....	5	478,000.00	29,000.00	449,000.00
YORK HAVEN WATER AND POWER COMPANY:				
Bonds, due 1951.....	5	1,247,500.00	2,000.00	1,245,500.00
MISCELLANEOUS				5,642,965.49
Total				\$247,648,722.72

Associated Gas and Electric Company

TRUSTEES, PAYING AGENTS, REGISTRARS AND TRANSFER AGENTS

Capital Stock	Transfer Agents	Registrars
	(see reference below)	
Preferred—all series	1	3
Preference—all series	1	3
Class A	1-4-11-12-15	6-10-13-14-16
Class B	4	—
Common	1-4-15	3-14-16
Optional Stock Purchase Warrants	1	3
Common Stock Purchase Rights	1	3

Obligations convertible into stock at Company's option	Interest rate %	Interest dates	Interest payable at	Transfer Agent
			(see reference below)	
Convertible Obligations, Series A	7	FMAN-15	2	1
Convertible Obligations, Series A	6½	FMAN-15	2	1
Convertible Obligations, Series A	6	MJSD-1	2	1
Convertible Obligations, Series A	5½	FMAN-15	2	1
Convertible Obligations, Series A	5	FMAN-15	2	1
Convertible Obligations, Series B	6	MJSD-1	2	1

Funded Debt	Interest rate %	Interest dates	Interest payable at	Trustee
			(see reference below)	
Debentures, due 1933	4	M&S-15	1-2	9
Convertible Debentures, due 1977	5½	F&A-1	1	8
Debenture Bonds, Consolidated Refunding:				
Series due 1968	5	A&O-1	1-2	6
Series due 1953	4½	M&N-1	1-2	5
Convertible Debentures, due 1950	5	F&A-1	1-2	9
Convertible Debentures, due 1949	4½	J&J-15	1-2	5
Convertible Debentures, due 1948	4½	M&S-1	1-2	8
Convertible Investment Certificates	5½	M&N-15*	1-2	1†
Convertible Debenture Bonds, due 1965	5	M&N-15	1-2	7
Sinking Fund Income Debentures, due 1933:				
Series A	5½	F&A-1	1-2	9
Series B	5	M&S-1	1-2	9
Series C	4½	M&N-1	1-2	9
Series D	4	M&S-15	1-2	9
Income Debentures, due 1983	5	A&O-1	2	9
Interest-Bearing Scrip, due 1937 and 1938	7	†	—	1†

* Registered FMAN-15.

† Transfer agent.

‡ Interest payable at maturity.

REFERENCE

- | | |
|--|--|
| 1* Transfer and Coupon Paying Agency, 61 Broadway, New York | 9 The Public National Bank and Trust Company of New York |
| 2* Transfer and Coupon Paying Agency, Ithaca, N. Y. | 10 Continental Illinois National Bank and Trust Company of Chicago (Ill.) |
| 3 W. A. Davies, H. B. Brown and J. J. McCarthy, 150 Broadway, New York | 11 Harris Trust and Savings Bank, Chicago, Ill. |
| 4 The Company, Ithaca, N. Y. | 12 Bank of America-National Trust and Savings Association, Los Angeles, Cal. |
| 5 The Chase National Bank of the City of New York | 13 Security First National Bank of Los Angeles (Cal.) |
| 6 Guaranty Trust Company of New York | 14 The First National Bank of Boston (Mass.) |
| 7 Irving Trust Company, New York | 15 The Union Trust Company of Boston (Mass.) |
| 8 The New York Trust Company, New York | 16 First National Bank of Ithaca (N. Y.) |

* Interest payments—coupons at 1 and registered at 2.

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT
1935

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1935

ASSOCIATED GAS AND ELECTRIC COMPANY

Officers

J. I. MANGE Chairman and President
S. J. MAGEE Vice-President and General Manager
F. S. BURROUGHS Vice-President
C. A. DOUGHERTY Vice-President and Secretary
O. E. WASSER Vice-President and Treasurer

Directors

FREDERICK S. BURROUGHS	SANFORD J. MAGEE
CHARLES A. DOUGHERTY	JOHN I. MANGE
HENRY C. HASBROUCK	O. E. WASSER

PRINCIPAL OFFICE Ithaca, New York

MANAGERS—OPERATING PROPERTIES

(Under the supervision and direction of the Boards of Directors of the
respective operating companies)

THE UTILITY MANAGEMENT CORPORATION

Neither this report, nor any statement contained herein, is furnished in connection with any offering of securities or for the purpose of promoting, influencing, or effecting the sale or purchase of securities.

ASSOCIATED GAS AND ELECTRIC COMPANY

TWENTY-SIXTH ANNUAL REPORT

For the Year Ended December 31, 1935

DESPITE the political harassments and legal difficulties which the Associated Gas and Electric Company experienced during the past year, considerable progress was made, both from the operating and financial points of view.

Conspicuous in this progress was the purchase by subsidiaries of controlling interests in additional properties in Pennsylvania, Maryland, Delaware, Virginia, West Virginia, North Carolina, Georgia, and Florida. These new companies add about \$19,000,000 annually to the consolidated gross operating revenues and more than 700,000,000 units (kwh) to the electric output. They increase by 20% the number of customers served. Many of these companies are in close proximity to or actually interconnected with companies previously owned.

Last year, also, output of electricity and gas overcame any remaining effects of depression and established new high records. Earnings did not respond correspondingly, however, because of the effects of rate reductions, increased costs of materials and supplies, and the expense of developing new business, which has been incurred to overcome the effect of rate reductions as far as possible. For the twelve months ended January 31, 1936, the declining trend in income, which had lasted practically throughout the depression, was completely arrested. Subsequent earnings have shown steady improvement.

Comparison of Operating Results of Company and Subsidiaries

(Including acquired properties only since dates of acquisition)

	Years ended December 31		Increase	
	1935	1934†	Amount	%
Gross Operating Revenues	\$93,215,717.33	\$83,973,088.56	\$9,242,628.77	11.0
Operating Expenses and Maintenance	48,319,901.56	42,901,872.69	5,418,028.87	12.6
Balance Before Taxes and Provision for Retirements.....	\$44,895,815.77	\$41,071,215.87	\$3,824,599.90	9.3
Taxes	9,799,411.27	8,589,951.92	1,209,459.35	14.0
Balance Before Provision for Retirements.....	\$35,096,404.50	\$32,481,263.95	\$2,615,140.55	8.0
Provision for Retirements	8,081,815.82	7,329,680.04	752,135.78	10.2
Operating Income	\$27,014,588.68	\$25,151,583.91	\$1,863,004.77	7.4
Other Income	1,690,741.98	1,140,840.26	549,901.72	48.2
Gross Income	\$28,705,330.66	\$26,292,424.17	\$2,412,906.49	9.1
Fixed Deductions from Income:				
Subsidiary Companies:				
Operating Utility and Group Companies.....	\$18,164,520.63‡	\$15,878,086.44‡	\$2,286,434.19	14.4
Associated Gas and Electric Corporation.....	5,833,956.61	4,565,239.93	1,268,716.68	27.7
Associated Gas and Electric Company.....	4,398,040.41	6,029,000.62	1,630,960.21*	27.0*
Total Fixed Deductions from Income.....	\$28,396,517.65	\$26,472,326.99	\$1,924,190.66	7.2
BALANCE	\$ 308,813.01	\$ 179,092.89	\$ 488,715.83	—

* Decrease.

† Year ended December 31, 1934 revised for comparative purposes.

‡ Exclusive of that portion of such charges ranking after fixed interest of Associated Gas and Electric Company.

The above statement excludes in both years non-recurring expenses in connection with the Plan of Rearrangement of Debt Capitalization, investigations, Wheeler-Rayburn Bill, legal cases, etc.

Fixed deductions from income of subsidiary companies above include amortization of debt discount and expense, which does not involve a current cash disbursement.

RESULTS OF OPERATIONS

There was a balance of \$308,813.01 for the year 1935 after fixed interest of Associated Gas and Electric Company, as compared with a loss of \$179,902.82 for the year 1934 (not including in either 1935 or 1934 extraordinary non-recurring expenses properly excluded from operating and non-operating expenses in the statement of consolidated income). The comparison of the operations for 1935 with 1934 is somewhat distorted by reason of the acquisition by subsidiaries of the new properties, whose operations are included in the consolidated earnings only from approximate dates of acquisition in the latter part of 1935.

The "earning power" statement below includes for the full periods, the operations of the properties acquired during 1935 by subsidiaries of Associated Gas and Electric Company. Comparison is made of the years ended December 31, 1935 and 1934, as well as the latest period available (the twelve months ended June 30, 1936 and 1935). Extraordinary non-recurring expenses are also excluded from this "earning power" statement.

Operating revenues show an encouraging increase, having risen from \$103,350,105 for the year 1934 to \$110,109,828 for the twelve months ended June 30, 1936. This gain was due in part to improved business conditions and in part to the vigorous efforts which were made to promote the use of electricity and gas.

Operating expenses and maintenance have in-

SOURCES OF OPERATING REVENUES

Electricity:

Residential	30.9%
Commercial	15.9
Power	22.1
Other	11.0
Total Electricity	79.9
Gas	11.9
Total Elec. and Gas	91.8
Other	8.2
Total	100.0%



creased because of higher costs of materials and supplies, which are partly due to the greater output, and because of greater outlays for new business expense. Taxes have also continued to burden the earnings severely. The gain in operating revenues in recent months has been sufficient to offset the higher expenses and taxes, however, and there has been consistent improvement in operating income.

Comparison of Operating Results of Company and Subsidiaries

(Including acquired properties for entire period—irrespective of dates of acquisition)

	Twelve months ended June 30		Twelve months ended Dec. 31	
	1936	1935	1935	1934
Operating Revenues:				
Electric	\$ 87,860,031	\$ 83,579,816	\$ 85,491,453	\$ 82,345,859
Gas	13,308,217	12,460,568	12,694,528	12,225,263
Transportation	5,097,310	4,801,595	4,903,060	4,871,138
Heating	1,439,464	1,348,668	1,382,362	1,355,351
Water	1,240,700	1,224,376	1,234,932	1,248,525
Ice	1,164,106	1,262,563	1,198,607	1,303,969
Total Gross Operating Revenues.....	\$110,109,828	\$104,677,586	\$106,904,942	\$103,350,105
Operating Expenses and Maintenance.....	56,702,247	52,345,183	54,136,976	51,386,888
Balance Before Taxes and Provision for Retirements.....	\$ 53,407,581	\$ 52,332,403	\$ 52,767,966	\$ 51,963,217
Taxes	11,062,885	10,412,679	11,142,207	10,396,642
Balance Before Provision for Retirements.....	\$ 42,344,696	\$ 41,919,724	\$ 41,625,759	\$ 41,566,575
Provision for Retirements, Renewals and Replacements of Fixed Capital	8,464,946	9,142,226	9,202,052	8,808,817
Operating Income	\$ 33,879,750	\$ 32,777,498	\$ 32,423,707	\$ 32,757,758

Summary of Operations

	1935	1934	% Increase
Number of electric customers.....	1,122,602	1,094,502	2.6
Number of customers using gas, water or steam service.....	351,656	343,444	2.4
Gross operating revenues	\$106,904,942	\$103,350,105	3.4
Operating income before provision for retirements.....	\$41,625,759	\$41,566,575	.1
Total electric output in units (kwh.) net.....	3,693,821,776	3,426,368,163	7.8
Total gas sendout in units (m.c.f.).....	15,681,828	14,775,640	6.1
Units of electricity (kwh.) sold per residential customer.....	589	546	7.9
Units of gas (m.c.f.) sold per residential customer.....	31.7	31.5	.6
Estimated annual revenue resulting from New Business activities	\$7,536,027	\$5,333,871	41.3

POLITICAL HARASSMENTS

During the year, Congress passed the Public Utility Act of 1935 (the Wheeler-Rayburn Bill), which proposes ultimately to eliminate utility holding companies (with limited exceptions and under conditions with which it is practically impossible to comply), and in the meantime places under Federal control such holding companies and many of the activities of their subsidiary local electric companies.

The provisions of this bill seemed to the management of the Associated Gas and Electric Company to be so unnecessarily drastic that the Company did not hesitate to throw its full forces into the effort to secure substantial modification of the original draft of the bill. The Company stood in the forefront of this fight. It was the first, therefore, to be singled out for reprisal. The management is proud of the part it took in this effort, however. Far more than the question of eliminating holding companies was involved; the property rights of American citizens and the rights of free speech and free petition were also fundamental issues. These rights are still in danger.

Although the original draft was modified somewhat before enactment, the Act still contains a "death sentence" for holding companies which becomes effective by 1938. The provisions of the Act vest such a broad discretion in the Commission charged with its administration, that it is impossible to foresee the consequences of its enforcement. Toward the end of the year, most of the important utility holding companies of the country brought suits attacking the constitutionality of the Act and seeking relief against its enforcement.

After careful consideration and upon the advice of counsel, the Board of Directors decided that the Company should not register under the Public Utility Holding Company Act of 1935, and that the Company should join with several of its subsidiaries as plaintiffs in a suit in equity subsequently instituted in the District Court of the United States for the District of Delaware, asking

for a determination that the Act is unconstitutional as applied to this Company and its co-plaintiffs, and asking for an injunction against its enforcement. The Board of Directors also directed the President of the Company to notify the security holders of the Company by letter of the decision not to register under the Act.

JEOPARDY TAX ASSESSMENTS

Assessments were made by the Federal Government, in December, for \$50,962,163, which it alleged was due for income and excess profits taxes, including claimed interest and penalties, for the years 1927 to 1933. The assessments against the Company and subsidiaries are based upon the absurd assumption by the Government of a taxable *net* income during the period 1929-33 of nearly \$300,000,000. For example, the assessment for 1929, exclusive of interest and penalties, is \$13,918,687. To have produced a tax in this amount the taxable income for 1929 should have been more than \$126,500,000. Actually, the total consolidated *gross* operating revenues of the Company and all its subsidiaries amounted to only \$68,903,254. It is apparent that any assessment based on a *taxable income* of approximately twice the total *gross operating revenues* is wholly fantastic. No one in the Government service who really understands the facts, seriously contends that any such amount of tax is due.

The Government has since filed a suit against the Company, asking that its claim for taxes be declared valid and adjudged to be a prior lien against all the assets of the Company, and for the enforcement of such lien. It was also asked that a receiver be appointed, and that the Company be enjoined from disbursing its funds. The Company is defending this suit, and has filed appeals to the Board of Tax Appeals from these unjust assessments.

A new Federal tax law was enacted in 1936, which may have a marked effect on capital stock and income taxes, although at this time it is not possible to indicate with any degree of accuracy

the amount of the 1936 taxes, due to the fact that the Internal Revenue Bureau has not issued the regulations. The most radical feature of the new law is the proposed taxation of the undistributed corporate income of the individual companies, on a graduated basis, with certain credits for normal taxes and dividends paid.

LITIGATION

A considerable portion of the time of the major executives of the Company is being taken from their regular work by the serious attention they must pay to the petition for reorganization under Section 77-B of the National Bankruptcy Act, which was filed against the Company on June 8, 1934. Both this original petition and an amended petition alleged that interest payments made by the Company during the preceding four months on outstanding debentures, as and when due, constituted preferences to creditors and were acts of bankruptcy. It is interesting to note, however, that these petitioners, themselves, had accepted and have continued to accept these interest payments. The amended petition alleged that the exchange of debentures of the Associated Gas and Electric Corporation for fixed interest debentures of the Company in accordance with the Plan of Rearrangement of Debt Capitalization also constituted acts of bankruptcy. The petitioning creditors have made no serious effort to stop the functioning of the Plan, however.

Since its incorporation in 1906, the Associated Gas and Electric Company has never defaulted on any obligation when due, either before or after the filing of these petitions. The Company has continued to pay its debenture interest in full. Moreover, the exchange of securities under the Plan of Rearrangement of Debt Capitalization has

taken place almost daily since the amended petition was filed. The petitioning creditors claim they are trying to protect the interests of security holders, but 75,000 security holders have gone ahead and protected themselves by exchanging under the Plan. It is contended by the Company that these two sorts of practices do not constitute acts of bankruptcy, either before or subsequent to the filing of the petitions.

Although the petition for reorganization, it is believed, will ultimately be shown to be without any merit whatsoever, it has nevertheless been necessary to incur considerable expense to oppose it in the Courts.

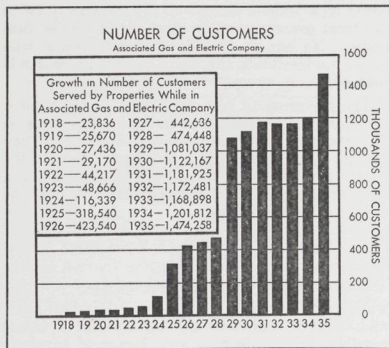
FINANCING

The subsidiary financing necessary during the year was completed successfully. More important, however, was the continued success of the Plan of Rearrangement of Debt Capitalization. More than \$199,000,000, or 75%, of the Company's debentures have now been exchanged by holders for new debentures issued under the terms of the Plan, which was inaugurated in May, 1933. This leaves less than \$66,000,000 principal amount of debentures in the hands of the public and not exchanged. Option Two, later called Option A, of the Plan, under which Company debentures were exchanged for income debentures of Associated Gas and Electric Corporation, expired April 7, 1936.

The reduction in the annual interest charges on the debentures exchanged amounts to more than \$3,000,000. Up to the present, the Company has had little cash benefit from this saving because of the expenses involved in carrying out the Plan. However, now that the great majority of fixed interest debentures have been exchanged under the Plan, these expenses will be substantially less, and the Company will benefit in a material way from the savings effected in fixed interest charges.

The most important subsidiary financing during the year was the sale of \$11,710,900 of Metropolitan Edison Company first mortgage 4% bonds, due 1965, for the purpose of retiring other issues paying 5% interest. Rochester Gas and Electric Corporation also sold \$4,152,000 principal amount of 4% mortgage bonds, due 1960. The proceeds were used to retire 5½% bonds and to provide for rural line extensions.

All maturities to date have been taken care of. As of August 1, 1936, maturities of funded debt for 1936 amounted to \$306,625, while the 1937 maturities as of the same date were \$1,566,332. In view of its success in meeting far larger maturities in the past, the management anticipates no difficulty in meeting these maturities or in meeting bank loans of subsidiary companies.



Only two subsidiary companies were in arrears of interest at December 31, 1935. American Utilities Company, a small subsidiary sub-holding company which was undergoing reorganization under Section 77-B of the National Bankruptcy Act, had \$300,000 principal amount of publicly held bonds at December 31, 1935. The remaining \$6,713,500 principal amount of the bonds of American Utilities Company was owned by subsidiaries of Associated Gas and Electric Company. The necessity for reorganization of American Utilities Company dates back to the period prior to acquisition by the Associated Gas and Electric System in the fall of 1929. By purchases and exchanges of securities in the hands of the public, and finally the plan of reorganization, which was recently confirmed by the Court, the long needed reorganization has been finally accomplished.

Eastern Utilities Investing Corporation, a subsidiary investing company, also had interest arrears on \$933,000 principal amount of publicly held bonds at December 31, 1935. In order to simplify the relationship existing between Associated Gas and Electric Company and Eastern Utilities Investing Corporation, which owns securities of Associated Gas and Electric Company, there was authorized an exchange of holdings of each of the companies in securities of the other, resulting in the extinguishment of \$7,658,100 principal amount of Convertible Obligations, Series A and preferred and preference stocks with liquidation value of \$13,045,000 of Associated Gas and Electric Company. Additional holdings of each company in securities of the other were deposited in escrow, pending completion of an exchange of such holdings. A donation was also made to Eastern Utilities Investing Corporation of a substantial amount of stock of that company, formerly held by a wholly owned subsidiary of Associated Gas and Electric Company.

INVESTMENTS WRITTEN DOWN

In view of the uncertainties affecting price levels and the value of investments, Associated Gas and Electric Company transferred a total of \$130,000,000 from capital surplus to reserve for contingencies in 1931 and 1932. Prior to 1935, the reserve had been used to the extent of \$42,000,000 to write down investments in subsidiaries, and during 1935 there was authorized a further write-down of \$10,300,000 by a charge to the reserve for contingencies. During 1935, the officers of the Company were also authorized to transfer \$28,000,000 from the reserve for contingencies to capital surplus. The balance of \$49,700,000 in the reserve for contingencies at December 31, 1935 has been applied in consolidation against investments in subsidiaries.

The Southern Ice Company situation is not included in the accompanying statements of consolidated income and surplus for the year ended December 31, 1935 or the consolidated balance sheet as of December 31, 1935, inasmuch as the investment therein was written down in 1935 to a nominal amount.

Consolidated capital stocks of Associated Gas and Electric Company increased \$17,910,142 during 1935, principally as the result of the retirement of preferred and preference stocks formerly owned by a subsidiary company, with liquidation value of \$18,242,100, which, on a consolidated basis, resulted in an adjustment of capital stocks and capital surplus.

The accumulated corporate deficit of Associated Gas and Electric Company to December 31, 1934 was applied against capital surplus, as explained in the annual report to stockholders for the year 1934. The corporate deficit of Associated Gas and Electric Company for the year 1935 was also charged to capital surplus, approval for which had been given by the stockholders at a meeting held August 22, 1935.

1,474,258 CUSTOMERS SERVED

Customers served by operating subsidiary companies totalled 1,474,258 at December 31, 1935, of which 1,122,602 were electric customers, and 351,656 gas, water, and steam customers. This was a gain of 36,312 customers of all classes during the year, and includes during both years customers of new properties acquired in 1935. These new companies increased by about 240,000 the number of customers served.

337 COMPANIES ELIMINATED

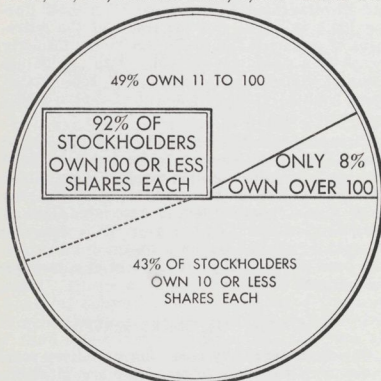
There have been 337 companies, including municipal and other unincorporated plants of the Associated System, which have been merged, dissolved, rendered inactive, or otherwise disposed of from 1922 to August, 1936:

1922	2	1927	34	1932	27
1923	1	1928	19	1933	27
1924	18	1929	43	1934	15
1925	17	1930	19	1935	44
1926	33	1931	22	1936	16

As a matter of policy, the Associated System has eliminated unnecessary companies as rapidly as possible. A considerable number remain which could be eliminated now if necessary permission could be obtained from State commissions. This policy of simplification of corporate structure will be continued as fast as laws, financial and operating conditions permit.

170,848 SECURITY HOLDERS

Security holders of Associated Gas and Electric Company numbered 170,848 in July, 1936. They are found in every State of the United States and in 41 other countries and their dependencies. Among the States, New York leads with 58,317 security holders, followed by Pennsylvania, 34,844; Massachusetts, 9,937. States west



of the Mississippi have 16,574 holders. There are 10,136 security holders in Holland, more than in any other country overseas.

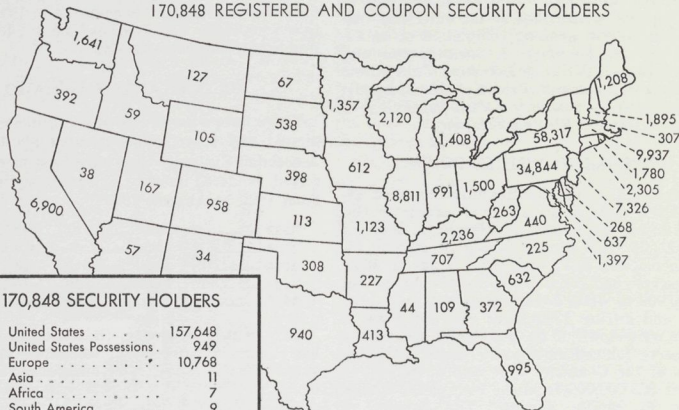
Among these investors are institutions, including banks and trust companies, investment funds, schools and colleges, fraternal and benevolent organizations, and insurance companies. The great bulk of the owners are clerks, laborers, salesmen, teachers, professional people, and other average Americans.

Of the holders of all stocks of Associated Gas and Electric Company, 92% own 100 shares or less, indicating wide distribution among small investors. The chart showing distribution of shares is based upon holdings of Class A, Common, Preferred, and Preference Stocks.

This evidence of wide distribution among small holders is also seen in the distribution in principal amount of debentures and convertible obligations. This distribution is as follows:

Amount of Holding	% of Amount Outstanding	Cumulative %
\$100 or less.....	.9	.9
\$101 to \$500.....	6.1	7.0
\$501 to \$1,000.....	13.8	20.8
\$1,001 to \$5,000.....	35.7	56.5
\$5,001 to \$10,000.....	12.7	69.2
\$10,001 to \$20,000.....	8.2	77.4
\$20,001 or more.....	22.6	100.0

ASSOCIATED GAS AND ELECTRIC COMPANY 170,848 REGISTERED AND COUPON SECURITY HOLDERS



170,848 SECURITY HOLDERS

United States	157,648
United States Possessions	949
Europe	10,768
Asia	11
Africa	7
South America	9
Canada	1,417
Miscellaneous	39

NEW CONSTRUCTION

Necessary extensions and improvements cost subsidiaries of the Associated Gas and Electric Company \$11,100,000 last year. Of this, \$2,800,000 was spent by new companies acquired during the year. The most important single piece of work was the installation of a new 6,000 kilowatt turbo-generator and high-pressure steam boiler at Rochester. Expenditures over the last six years, including those by the new properties, have been as follows:

1930	\$37,000,000
1931	18,800,000
1932	5,500,000
1933	5,300,000
1934	6,700,000
1935	11,100,000

NEW BUSINESS ACTIVITIES

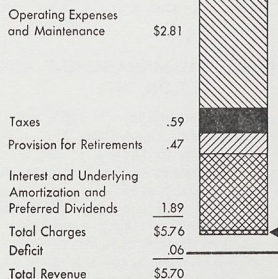
The New Business Department, during 1935, obtained business estimated to produce revenues of \$7,536,027, an increase of 41.3% over 1934. This estimated new business came from the following sources: domestic, including gas house heating, \$4,598,293; commercial, \$1,542,945; industrial, \$1,394,789. Domestic new business, including gas house heating, was \$1,713,720 higher than in 1934, an increase of 59.4%. These gains resulted largely from cooperation of the Company and its subsidiaries and independent appliance dealers in selling electric and gas appliances.

As the result of the cooperative efforts of community organizations, operating companies, and the Company's Industrial Development Division, 221 industrial concerns were located in Associated areas last year, employing 7,742 wage earners. Furthermore, 244 existing concerns increased their operations through the greater use of gas and electricity, adding to their pay rolls 7,214 workers. As a result of this activity, \$1,090,158 estimated annual gas and electric requirements were contracted for. This was partly offset by industrial concerns going out of business or removing, so that the net gain was \$920,046 in estimated annual revenues.

EMPLOYEE ACTIVITIES

The Employees' Business Building Plan, which was instituted in the summer of 1932, continued to produce gratifying results last year. Employees cooperate voluntarily to find prospective customers for the purchase of electric and gas appliances. During 1935 they obtained 198,866 such prospects, who bought from cooperating local dealers and the operating companies \$6,522,824 in electric and gas appliances. Use of these appliances by customers is estimated to produce annual electric and gas revenues of \$2,063,175.

AVERAGE MONTHLY REVENUE AND CHARGES PER CUSTOMER



Since it is recognized that building new load is based upon the existence of good public relations, this Business Building activity was supplemented with educational training in the problems of the utility industry. Through a combination of individual study and group conferences employees were taught how to perform their duties so that the customers receive greatest satisfaction.

INVESTING PLAN

The Employees' Investing Plan was started for employees of the Associated Gas and Electric System on November 5, 1931, by the acceptance of subscriptions to securities of Utilities Employees Securities Company, to be paid for by regular and systematic deductions from employees' pay. These securities have regularly paid interest to employees at the rate of 8% per annum. The conservative nature of this investment is indicated by the fact that at July 31, 1936, each \$100 invested by employees is protected by \$258 (market value—August 11, 1936) of securities owned by Utilities Employees Securities Company. The Income Notes of Utilities Employees Securities Company, now being purchased by employees, are registered with the Securities and Exchange Commission, Washington, D. C.

12,225 EMPLOYEES INSURED

The Associated Insurance Plan as of June 1, 1936 insured 12,225 employees for \$48,702,814. Of this amount \$23,376,500 was ordinary life and \$25,326,314 group insurance. Part of the cost of

this insurance is borne by the employing companies. Since the plan has been in effect it has paid 519 claims of a total of \$1,871,936. The need of this insurance is evident from the fact that 25% of the Associated employees who have died while the plan has been in effect had no other life insurance whatever, and another 18% had only \$500 or less.

UTILITIES MUTUAL MANAGEMENT ASSOCIATION, INC.

Through the formation, in 1935, of Utilities Mutual Management Association, Inc., the ownership of which rests in the operating companies, the servicing companies of the Associated Gas and Electric System are placed on a non-profit basis in their relations with the operating companies. Ownership of these servicing companies heretofore has rested entirely within the System. There is, therefore, no change in the situation which has heretofore existed in that any profits resulting from their operation accrued to the benefit of the security holders of Associated Gas and Electric Company.

AUDITING

In accordance with established policy, the accounts of Associated Gas and Electric Company and subsidiaries for the year 1935 have been examined by independent certified public accountants. A copy of the accountants' report appears on pages 12 to 21.

In addition to the regular examinations by independent certified public accountants, the accounts of the various subsidiaries are also audited by Utility Accountants and Tax Consultants, an organization composed of men who are especially

qualified by training and experience to ascertain facts and prepare reports for the benefit of the management.

The management has found it desirable at times to use the services of organizations employing specialists in the fields of engineering, accounting, taxes, finance, advertising and similar specialized fields, as by reason of the experience and immediate availability of such men, the special needs to meet unusual conditions and emergencies are more economically filled. The increase in the number of laws, regulations, questionnaires, reports and forms instituted within the last few years, has been of such a nature that the local management and organization of the operating companies would have been unable to cope with them, without incurring permanent and heavy costs.

Employment of these organizations has resulted, therefore, in distinct economies for the Company and its operating subsidiaries. This is apparent when the actual cost of this work is compared with the probable cost had the Company and its subsidiaries attempted to do the work with their own organizations, necessarily augmented with new and untrained help, or with the assistance of local firms of accountants and lawyers who would necessarily have been unacquainted with the technique which is required to handle the difficult and intimate matters which are dealt with in many of these inquiries.

Respectfully submitted,

For the Board of Directors,

J. I. MANGE,
President.

August 26, 1936.

ASSOCIATED GAS AND ELECTRIC COMPANY

Chart of Ownership — Public Utility Companies Showing Percentage of Voting Stock Ownership

Companies shown in italics have no securities outstanding with the public.

ASSOCIATED GAS AND ELECTRIC COMPANY

ASSOCIATED GAS AND ELECTRIC CORPORATION 100%

ASSOCIATED ELECTRIC COMPANY..... 100%

<i>Central U. S. Utilities Company</i>	100%
<i>Indiana Gas Utilities Company</i>	100%
<i>Kentucky-Tennessee Light and Power Co.</i>	100%
<i>Lake Shore Gas Company, The</i>	100%
<i>Manila Electric Company</i>	100%
<i>Ohio-Midland Light and Power Co., The</i>	96.3%
Common and Preferred voting.....	96.3%
<i>Union Gas & Electric Company</i>	100%
<i>West Virginia Light, Heat and Power Co.</i>	95.4%
Common and Preferred voting.....	95.4%
<i>Pennsylvania Electric Company</i>	100%
<i>Clarion River Power Company, The</i>	100%
<i>Erie Lighting Company</i>	100%
<i>Johnstown Fuel Supply Company</i>	100%
<i>Arizona General Utilities Company</i>	100%
<i>Arkansas General Utilities Company</i>	100%
<i>Associated Maryland Elec. Power Corp.</i>	100%
<i>Hopkinsville Water Company</i>	100%
<i>Insular Light and Power Corporation</i>	100%
<i>Escondido Electric Service Company</i>	100%
<i>La Grange Water Company</i>	100%
<i>Louisiana Public Utilities Co., Inc.</i>	100%
<i>Missouri General Utilities Company</i>	100%
<i>Missouri Southern Public Service Company</i>	100%
<i>New Matamoros Electric Company, The</i>	100%
<i>Ohio River Power Company</i>	100%
<i>Owensboro Gas Company</i>	100%
<i>Panhandle Public Service Company</i>	100%
<i>Penelac Water Company</i>	100%
<i>Pennsylvania Investing Corporation</i>	100%
<i>Clarion Water Company</i>	100%
<i>Portsmouth Gas Company, The</i>	100%
<i>Rising Sun Water & Light Company</i>	100%
<i>Sixes Falls Gas Company</i>	100%
<i>Solar Electric Company</i>	100%
<i>Texas General Utilities Company</i>	100%
<i>Tucumanari Light and Power Company</i>	100%
<i>Twin City Light and Power Company</i>	100%
<i>Van Wert Gas, Light Company, The</i>	100%
<i>Youghiogheny Hydro-Electric Corporation</i>	100%

<i>NY PA NJ UTILITIES COMPANY</i>	100%
<i>Canada Power Corporation</i>	100%
<i>Elmira Light, Heat and Power Corporation</i>	100%
<i>Long Island Water Corporation</i>	100%
<i>Metropolitan Edison Company</i>	100%
<i>New Jersey Power & Light Company</i>	100%
<i>New York Central Electric Corporation</i>	100%
<i>Empire Gas and Electric Company</i>	100%
<i>Oregon Gas Corporation</i>	100%
<i>New York State Electric & Gas Corp.</i>	100%
<i>Staten Island Edison Corporation</i>	100%
<i>Patchogue Electric Light Company, The</i>	100%
<i>Northern Pennsylvania Power Company</i>	100%
<i>Waverly Electric Light and Power Co.</i>	100%
<i>Penn Central Light and Power Company</i>	100%
<i>Rochester Gas and Electric Corporation</i>	100%
Ownership of VTC.....	100%
<i>Tracy Development Company</i>	100%
<i>Granville Electric Company</i>	100%
<i>Litchfield Electric Light and Power Co.</i>	100%
<i>Maryland Public Service Company, The</i>	100%
<i>Spring Brook Water Company</i>	100%
<i>Ownership of Indebtedness of Associated Electric Companies:</i>	
<i>Smyrna Telephone Company, Inc.</i>	100%
<i>Caldonia Natural Gas Company, The</i>	100%
<i>Morton Power Company</i>	100%
<i>Tri-County Natural Gas Company</i>	100%

GENERAL GAS & ELECTRIC CORPORATION

Common and Preferred voting.....	98.2%
<i>Southeastern Electric and Gas Company</i>	100%
<i>Broad River Power Company</i>	100%
Common voting.....	100%
Preferred voting.....	95.1%
<i>Florida Power Corporation</i>	100%
<i>Florida Public Service Company</i>	100%
Common voting.....	100%
Preferred voting.....	99.4%
<i>Georgia Power & Light Company</i>	100%
Common voting.....	100%
Preferred voting.....	None
<i>Falshon Power Company</i>	100%
<i>Lexington Water Power Company</i>	100%
<i>Tide Water Power Company</i>	100%
<i>Sanford Gas Company</i>	100%
<i>Dover Gas Light Company, The</i>	100%
<i>Eastern Power Company</i>	100%
<i>Eastern Shore Public Service Company(*)</i>	100%
<i>Consumers Public Service Company</i>	100%
<i>Delmarva Power Company, The</i>	100%
<i>Eastern Shore Public Service Co. Md.</i>	100%
<i>Eastern Shore Public Service Co. Va.</i>	100%
<i>Maryland Light and Power Company</i>	100%
<i>Virginia Public Service Company</i>	100%
<i>Citizens Rapid Transit Corporation</i>	100%
(*) Includes 33-1/3% owned by Virginia Public Service Company.	

This chart does not include non-utility or inactive companies. It reflects the results of the reorganization of American Utilities Company, whose subsidiaries have been placed in the Associated Electric group.

The chart includes numerous companies for which there are at present under way definite programs for their elimination by the transfer of their assets to other corporations. The program of simplification, therefore, is not yet completed but little further progress can be made for the present until the requisite consents are received from various regulatory bodies for the merger of various operating companies, and until other problems with respect to some of the holding companies are worked out in order to make possible their merger and elimination.

The ownership of the management, engineering and purchasing companies is vested in the operating companies, by virtue of the ownership by the operating companies of the common stock of Utilities Mutual Management Association, Inc.

<i>UNITED COACH COMPANY, THE</i>	100%
<i>Reading Street Railway Company</i>	100%
<i>Reading Coach Company</i>	100%
<i>Schenectady Rapid Transit, Inc.</i>	100%
<i>Valley Public Service Company, The</i>	100%
<i>Ownership of Indebtedness of Associated Electric Companies:</i>	
<i>Triple Cities Coach Company, Inc.</i>	100%
<i>Triple Cities Traction Corporation</i>	100%
<i>Richmond Railways, Inc.</i>	100%
<i>Staten Island Coach Company, Inc.</i>	100%

ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES

ACCOUNTANTS' CERTIFICATE

CONSOLIDATED STATEMENTS

Consolidated Balance Sheet, December 31, 1935 (Exhibit A).

Capital Stocks of Associated Gas and Electric Company (Schedule 1).

Statement of Consolidated Income for the Year Ended December 31, 1935 (Exhibit B).

Statements of Consolidated Corporate and Capital Surplus for the Year Ended December 31, 1935 (Exhibit C).

PARENT COMPANY STATEMENTS

Balance Sheet, December 31, 1935 (Exhibit D).

Statement of Income for the Year Ended December 31, 1935 (Exhibit E).

Statements of Corporate and Capital Surplus for the Year Ended December 31, 1935 (Exhibit F).

ACCOUNTANTS' CERTIFICATE

Associated Gas and Electric Company:

We have made an examination of the balance sheet of Associated Gas and Electric Company (incorporated in New York) and the consolidated balance sheet of the company and subsidiary companies as of December 31, 1935, and of the related statements of income and surplus for the year 1935. In connection therewith, we made a review of the accounting methods and examined or tested accounting records and other supporting evidence of the companies, except certain subsidiaries which were examined by other independent accountants, in a manner and to the extent which we considered appropriate in view of the system of internal accounting control.

As to the subsidiaries examined by other accountants, the figures included in the accompanying consolidated statements are as shown by their reports except for minor reclassifications to agree with the general classification used in the consolidation and with the exception that the operations of subsidiaries acquired during the year, for the period from date of acquisition to December 31, 1935, included in the statement of consolidated income for the year 1935, comprise the difference between the operations for the year as shown by the reports of the other accountants and the operations prior to acquisition as shown by the companies' reports. The book value of the assets of the companies examined by other accountants amounts to approximately 22.7% of the total consolidated assets at December 31, 1935, and the gross operating revenues of such companies (including operating revenues only for the period from date of acquisition to December 31, 1935 in case of companies acquired during the year) amounted to approximately 18.8% of the consolidated operating revenues for the year 1935.

The statements in 1935 include, on a consolidated basis, all subsidiaries except Utilities Employees Securities Company (and subsidiary), Southern Ice Company, Inc. and Southwest Public Service Corporation (and subsidiaries), which are carried as investments, the book value of the investment in the latter two companies having been written down in 1935 to a nominal amount. In the prior year, Utilities Employees Securities Company was carried as an investment but the other companies were consolidated.

The consolidated statements include the Rochester Gas and Electric Corporation whose common stock, owned within the group, is subject to a voting trust agreement under which a minority of the trustees are elected by the parent company. Cash (not including special deposits), receivables (less reserves), and inventories of the corporation included in the consolidated balance sheet amount to approximately \$3,463,000 and accounts payable and accrued taxes, interest and preferred stock dividends to approximately \$1,625,000. The total operating revenues of the corporation amounted to approximately \$14,118,000 in 1935 and the net income in excess of dividends paid was approximately \$402,000.

Investments are carried at cost or companies' valuations which do not purport to represent realizable values at December 31, 1935, as to which we express no opinion.

Substantial reductions in investments and in outstanding securities of Associated Gas and Electric Company during the year resulted from the exchange of debentures of Associated Gas and Electric Corporation (received from it as dividends out of capital surplus) for debentures of Associated Gas and Electric Company under the Plan of Rearrangement of Debt Capitalization, and the dissolution of Eastern Utilities Securities Corporation, a direct subsidiary, and the exchange of securities of that corporation and its former subsidiary, Eastern Utilities Investing Corporation, for securities of Associated Gas and Electric Company. During the year Associated Gas and Electric Company also wrote down the book value of its investments in subsidiaries by a charge of \$10,300,000 against the reserve for contingencies which had been created by charges to capital surplus in 1931 and 1932, and \$28,000,000 of that reserve was restored to capital surplus, leaving a balance of \$49,700,000 in the reserve for contingencies at December 31, 1935, which balance has been applied in consolidation against investments in subsidiaries.

Fixed capital (plant, property, equipment, etc.) has, with relatively minor exceptions, been revalued as of various dates at estimated reproduction cost, including going value and other intangibles. The related retirement reserves were also adjusted in this connection. We have not undertaken to verify these valuations. Capital surplus resulting from these valuations has been eliminated in consolidation against the carrying value of investments in subsidiary companies.

It is the accounting policy of the operating companies, in general, to make provision for retirements, renewals and replacements of fixed capital in amounts which when added to maintenance expenditures equal fixed percentages of gross operating revenues less gas or power purchased, rather than on the basis of amortization of fixed capital over the estimated life. In certain exceptions the amounts provided are as determined by the management which amounts have been in excess of the requirements of the bond indentures.

The statement of consolidated income does not include certain out-of-the-ordinary expenses in connection with various investigations, Wheeler-Rayburn bill, legal cases, etc., amounting to \$1,810,245.90, which were charged to operating or non-operating expenses by the subsidiaries but to corporate surplus in consolidation. Debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation, whose funded debt has been undergoing rearrangement under exchange offers, was charged to capital surplus in prior periods, and in 1935, as in 1934, no portion thereof was charged to operations. Discount on bonds of those companies reacquired has been credited to capital surplus.

Certain of the subsidiary companies have taken up as earnings available for interest and/or dividend charges, undistributed (appropriated) earnings of certain of their subsidiaries.

The net operating income for the year 1935 of a subsidiary engineering company, which has been credited to consolidated corporate surplus, includes profits of approximately \$223,000 resulting from construction fees charged to property account.

Loss sustained by a subsidiary on sale of investments and unamortized debt discount and expense on bonds of a subsidiary retired in connection with the readjustment of its debt under Section 77-B of the Bankruptcy Act, as amended, were charged to capital surplus.

The corporate deficit of Associated Gas and Electric Company for the year 1935 was charged to capital surplus at the end of the year in accordance with approval by stockholders at a meeting held August 22, 1935, the corporate deficit at December 31, 1934 having previously been charged to capital surplus.

In our opinion, subject to the foregoing and to final determination of liability for Federal income taxes, the accompanying balance sheets and related statements of income and surplus, with the footnotes thereon, fairly present, in accordance with accepted principles of accounting consistently followed by the companies, the financial condition of the company and of the company and subsidiaries consolidated as of December 31, 1935, and the results of their operations for the year.

HASKINS & SELLS

New York,
August 10, 1936.

Associated Gas and Electric Company and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1935

ASSETS

FIXED CAPITAL:

Plant, property, equipment, etc. at estimated reproduction cost (shown in memorandum accounts in the case of two companies) including going value and other intangibles at various dates of revaluation (with relatively minor exceptions), plus subsequent additions at cost, less retirements, and \$94,981,186.18 uneliminated balance of investments in subsidiaries (includes approximately \$2,350,000 reported as in process of or subject to retirement).....	\$867,440,853.75
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INVESTMENTS—AT COST OR COMPANIES' VALUATION:

In subsidiary companies not consolidated (\$123,323.10) and affiliated companies (including advances, open accounts, etc.).....	\$46,993,870.70	
Other investments (consists principally of securities carried in a group valuation; market value of those securities for which quotations are available, approximately \$2,446,000)	28,525,326.40	75,519,197.10

DEPOSITS FOR MATURED BONDS AND BOND INTEREST, ETC. (contra).....	3,775,008.82
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DEPOSITS FOR SINKING FUNDS, CONSTRUCTION, ETC.	2,324,342.33
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DEPOSITS FOR REDEMPTION OF BONDS CALLED AND FOR PREMIUM AND ACCRUED INTEREST THEREON	15,839,546.00
--	---------------

CASH (including working funds)	6,016,503.19
--------------------------------------	--------------

NOTES AND ACCOUNTS RECEIVABLE:

Consumers	\$ 8,737,341.23	
Appliances (\$310,301.09 pledged)	2,116,192.12	
Miscellaneous (including \$153,873.39 due from employees).....	1,594,759.01	12,448,292.36

MATERIALS AND SUPPLIES (book inventories)	5,915,298.65
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APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra).....	2,047,173.56
--	--------------

PREPAID EXPENSES	454,913.50
------------------------	------------

UNAMORTIZED DEBT DISCOUNT AND EXPENSE	22,571,147.63
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MISCELLANEOUS UNADJUSTED DEBITS (including balances in closed banks of \$189,103.93).....	2,352,794.00
---	--------------

TOTAL	\$1,016,705,070.89
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NOTES: * The capital stock of Associated Gas and Electric Company includes \$7,159,637 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks.

Debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation on bonds still outstanding has been charged to capital surplus.

Certain securities of subsidiary companies and accounts receivable from subsidiary companies which eliminate in the above statement are pledged as collateral to notes payable and funded debt or deposited under escrow or other agreements.

At December 31, 1935, undeclared cumulative interest (payable only as declared) on obligations of Associated Gas and Electric Company convertible into stock at company's option amounted to \$7,566,617.22, and undeclared cumulative dividends on preferred and preference stocks (including stock issuable for obligations called for conversion) to \$9,277,162.06.

Interest was paid due on certain bonds of subsidiary companies at December 31, 1935. The principal amounts of such bonds held by the public were as follows: American Utilities Company 6%, due 1945, \$265,500, and 6½%, due 1941, \$34,500; Eastern Utilities Investing Corporation 5%, due 1954, \$933,000. Provision, however, has been made in the above statement for the interest accrued to December 31, 1935.

Dividends were in arrears at December 31, 1935, on preferred stocks of the following subsidiary companies: American Utilities Company, Broad River Power Company, Eastern Utilities Investing Corporation, Empire Gas and Electric Company, Florida Public Service Company, General Gas & Electric Corporation, Georgia Power and Light Company, New York Central Electric Corporation, and Ohio-Midland Light and Power Company. Provision, however, has been made in the above statement for accrued dividends on these stocks to December 31, 1935.

The company has a contingent liability as guarantor of interest up to 8% per annum on \$3,723,590 principal amount of income bonds of Utilities Employees Securities Company (an indirect subsidiary not consolidated) issued to employees of the Associated Gas and Electric System. There was no interest due and unpaid on these bonds at December 31, 1935.

Notice of assessments for Federal income taxes with penalties and interest for the years 1927 to 1933, inclusive, and excess profits taxes for the year 1933, aggregating \$50,962,163.71, with demands for immediate payment and notice of tax liens, addressed to Associated Gas and Electric Company and/or the company and its subsidiaries, have been served on the company. In addition, assertions of approximately \$8,478,000 and jeopardy assessments of approximately \$850,500 have been made against subsidiary companies, and Associated Gas and Electric Company may have a liability in connection with assessments against affiliated companies. The assessments and assertions are being contested.

EXHIBIT A

Associated Gas and Electric Company
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1935

LIABILITIES

CAPITAL STOCK AND SURPLUS (including capital surplus reserved for conversion of debentures):		
Capital stock of Associated Gas and Electric Company—Schedule 1.....	*\$102,548,778.76	
Consolidated surplus—Exhibit C:		
Capital	12,495,023.57	
Corporate	7,339,550.81	
Capital surplus reserved for conversion of debentures.....	47,293,700.00	
Capital stock and applicable surplus of General Gas & Electric Corporation (\$24,588,901.87) and Eastern Utilities Investing Corporation (\$60,600) held by public (which to the extent of approximately \$20,429,000 is of equivalent rank to stocks of Associated Gas and Electric Company or obligations thereof convertible into stock at company's option).....	24,649,501.87	
Other subsidiary companies' capital stocks:		
Preferred	66,084,518.33	
Common and participating (including applicable surplus or deficit).....	309,651.02	\$260,720,724.36
OBLIGATIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY CONVERTIBLE INTO STOCK AT COMPANY'S OPTION (\$50,888,783) AND OBLIGATIONS OF SUBSIDIARY COMPANY OF EQUIVALENT RANK (\$933,000)		
		51,821,783.00
FUNDED DEBT AND INTEREST-BEARING SCRIP:		
Associated Gas and Electric Company	\$268,087,647.17	
Less: Fixed interest debentures deposited and held by escrow agents under Plan of Rearrangement of Debt Capitalization.....	192,246,590.00	
Remainder	\$ 75,841,057.17	
Subsidiary companies:		
Associated Gas and Electric Corporation.....	143,877,995.00	
Other subsidiary companies (including \$1,732,175 due in 1936).....	351,864,065.56	571,583,117.73
BONDS CALLED FOR REDEMPTION (including accrued interest to December 31, 1935, and premium thereon)		
		15,712,004.98
MATURED BONDS AND BOND INTEREST, ETC. (contra).....		
		3,775,008.82
NOTES PAYABLE (includes \$6,990,000 covered by pledge of stocks and bonds of subsidiary companies eliminated in consolidation)		
		11,047,193.24
ACCOUNTS PAYABLE		
		4,815,386.16
TAXES ACCRUED		
		5,846,627.33
INTEREST AND MISCELLANEOUS ACCRUALS (including \$194,467.50 past-due interest on funded debt of subsidiaries).....		
		7,669,788.53
CONSUMERS' SERVICE AND LINE DEPOSITS		
		5,419,697.88
GUARANTY OF APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra)		
		2,047,173.56
RESERVE FOR RETIREMENTS, RENEWALS AND REPLACEMENTS OF FIXED CAPITAL (including adjustments resulting from revaluation).....		
		64,563,910.66
RESERVE FOR PRIOR YEARS' FEDERAL INCOME TAXES (subject to final determination).....		
		3,511,317.46
RESERVE FOR DOUBTFUL ACCOUNTS RECEIVABLE		
		1,208,456.76
CONTRIBUTIONS FOR EXTENSIONS—NON-REFUNDABLE		
		2,568,597.93
MISCELLANEOUS RESERVES AND UNADJUSTED CREDITS (including \$1,700,553.47 accrued cumulative dividends not currently being paid on preferred stocks of subsidiaries).....		
		4,394,282.44
TOTAL		<u>\$1,016,705,070.89</u>

EXHIBIT A

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME

For the year ended December 31, 1935

(Including companies acquired in 1935 from dates of acquisition only)

OPERATING REVENUES:			
Electric	\$73,190,931.25		
Gas	12,106,353.98		
Steam heating, water, ice, transportation, etc.....	7,918,432.10		\$93,215,717.33
OPERATING EXPENSES AND MAINTENANCE:			
Operating expenses	\$40,347,499.30		
Maintenance	7,972,402.26		48,319,901.56
BALANCE BEFORE TAXES AND PROVISION FOR RETIREMENTS.....			\$44,895,815.77
PROVISION FOR TAXES (including Federal income taxes).....			9,799,411.27
BALANCE BEFORE PROVISION FOR RETIREMENTS.....			\$35,096,404.50
PROVISION FOR RETIREMENTS, RENEWALS AND REPLACEMENTS OF FIXED CAPITAL.....			8,081,815.82
OPERATING INCOME			\$27,014,588.68
OTHER INCOME:			
Interest and dividends on investments, etc.:			
Subsidiary companies, not consolidated	\$ 7,021.28		
Affiliated companies	225,572.71		
Other	890,479.85		
Income of subsidiary management and other non-utility companies.....	699,367.82	\$ 1,822,441.66	
Less: Non-operating expenses, not including expenses of Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company (\$1,150,273.86) which were charged to surplus		131,699.68	1,690,741.98
GROSS INCOME			\$28,705,330.66
DEDUCTIONS FROM INCOME:			
Subsidiary companies:			
Operating utility and group companies:			
Interest on funded debt	\$13,501,378.96		
Interest on unfunded debt	851,406.79		
Less: Interest charged to construction (credit).....	108,865.08		
Amortization of debt discount and expense	1,256,666.17		
Dividends on preferred stocks paid or accrued.....	2,663,933.79	\$18,164,520.63	
Associated Gas and Electric Corporation:			
Interest on fixed interest debentures	\$ 2,968,281.13		
Interest on income debentures	2,800,476.86		
Amortization of debt discount and expense.....	65,198.62	5,833,956.61	
Associated Gas and Electric Company:			
Interest on fixed interest debentures	\$ 4,279,112.48		
Interest on income debentures	68,123.88		
Interest on interest-bearing scrip	50,804.05	4,398,040.41	28,396,517.65
BALANCE OF INCOME (see note below)			\$ 308,813.01

NOTE: The above statement does not include expenses of \$1,150,273.86 in connection with the Plan of Rearrangement of Debt Capitalization charged to surplus by Associated Gas and Electric Company; out-of-the-ordinary expenses of \$1,810,245.90 in connection with various investigations, Wheeler-Rayburn bill, legal cases, etc., charged to operating or non-operating expenses by subsidiaries but to corporate surplus in consolidated statements; or provision (\$429,856.38) for preferred dividends and interest charges of General Gas & Electric Corporation and Eastern Utilities Investing Corporation ranking after fixed interest of Associated Gas and Electric Company. The statement also does not include interest (payable only as declared) of Associated Gas and Electric Company on obligations convertible into stock at Company's option, and amortization of debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation, all such discount and expense having been charged to capital surplus.

EXHIBIT B

Associated Gas and Electric Company and Subsidiary Companies

STATEMENTS OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1935

	<i>Corporate Surplus</i>	<i>Capital Surplus</i>
BALANCE, JANUARY 1, 1935	\$ 6,413,952.99	\$ 5,259,193.54
ADDITIONS:		
Balance of income for the year—Exhibit B.....	308,813.01	
Net operating income of subsidiary engineering company.....	154,411.49	
Capital surplus arising as a result of the inclusion in consolidation of subsidiaries acquired during 1935		13,598,510.22
Cancellation of reserve for contingencies.....		28,000,000.00
Net increase in discount on bonds of subsidiary companies held intercorporately in excess of the unamortized debt discount and expense.....		1,387,000.58
Discount on reacquired securities of subsidiary companies and profit on sales.....	866,241.27	
Discount on reacquisition and exchange of securities of Associated Gas and Electric Company		6,233,656.65
Miscellaneous	465,300.08	1,449,372.24
Total	<u>\$ 8,208,718.84</u>	<u>\$55,927,733.23</u>
DEDUCTIONS:		
Expenses of Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company (\$1,150,273.86) and other out-of-the-ordinary expenses (\$1,810,245.90)	\$ 2,960,519.76	
Unpaid interest and cumulative preferred dividends of General Gas & Electric Cor- poration and Eastern Utilities Investing Corporation (dependent upon income from investments in securities of Associated Gas and Electric Company on none of which is any income being currently received).....	429,856.38	
Adjustment of minority interest in surplus of subsidiaries.....	167,994.20	\$ 1,506,350.40
Unamortized debt discount and expense on bonds retired in connection with read- justment of debt of Florida Public Service Company, under Section 77-B of the Bankruptcy Act, as amended		1,029,643.10
Additional amount of surplus eliminated against intercompany investments in stocks	37,235.74	7,872,832.36
Surplus of subsidiaries formerly included on consolidated basis and reduction of carrying value of investments in these subsidiaries	268,230.48	9,057,821.03
Reduction of book value of miscellaneous investments.....		401,380.00
Restoration of portion of reserve for conversions applicable to securities formerly held intercorporately		673,050.00
Capital stocks of Associated Gas and Electric Company reacquired and/or retired (including former intercompany holding previously eliminated from stated cap- ital at liquidation value, \$18,242,100)		18,281,024.09
Reversal of accrual in prior years of interest receivable on income notes of affiliated company	750,000.00	
Adjustment of Federal income tax applicable to prior years.....	194,256.49	
Miscellaneous	424,242.49	583,429.57
Total	<u>\$ 4,896,347.14</u>	<u>\$39,405,530.55</u>
Remainder	<u>\$ 3,312,371.70</u>	<u>\$16,522,202.68</u>
TRANSFER TO CAPITAL SURPLUS OF CORPORATE DEFICIT OF ASSOCIATED GAS AND ELECTRIC COMPANY FOR THE YEAR ENDED DECEMBER 31, 1935.....	4,027,179.11	4,027,179.11
BALANCE, DECEMBER 31, 1935	<u>\$ 7,339,550.81</u>	<u>\$12,495,023.57</u>

NOTES: The above statement of "corporate surplus" does not include any charge for amortization of debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation; all such discount and expense has been charged to capital surplus in prior years.
See note to consolidated balance sheet regarding cumulative interest on obligations convertible into stock at company's option (payable only as declared) and cumulative dividends in arrears for which no provision has been made above.

EXHIBIT C

Associated Gas and Electric Company

BALANCE SHEET

December 31, 1935

ASSETS

INVESTMENTS IN SUBSIDIARIES:

Associated Gas and Electric Corporation—6,710,000 shares of \$1.00 par value each, common stock (entire issue), at company's valuation.....	\$381,264,445.00
Eastern Utilities Investing Corporation—At company's valuation:	
Class B common (voting) stock—50,000 shares—Entire issue.....	25,000.00
Other stocks and bonds	705,904.63

Notes Receivable:

Associated Gas and Electric Corporation (subordinated to all other indebtedness of the corporation):	
5% income note, due December 1, 1980 (may be reduced by delivery of debentures by the corporation under the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company).....	75,707,630.00
Non-interest-bearing note, due December 1, 1983.....	10,000,000.00

Accounts receivable:

Associated Gas and Electric Corporation.....	175,384.55
The Associated Corporation	500.00
	<u>\$467,878,864.18</u>

DUE FROM ASSOCIATED GAS AND ELECTRIC SECURITIES COMPANY (DEL.)—RECEIVABLE IN SECURITIES OF ASSOCIATED GAS AND ELECTRIC COMPANY UNDER EXCHANGE OFFER.....

1,035,455.00

SPECIAL DEPOSITS FOR MATURED INTEREST AND DIVIDENDS PAYABLE (contra).....

203,868.55

OTHER SPECIAL DEPOSITS

117.16

CASH

1,535.19

MISCELLANEOUS UNADJUSTED DEBITS

441.28

CONTRA TO LIABILITY FOR ASSUMPTION OF BONDS OF SUBSIDIARY COMPANY, DUE 1953, INCLUDED IN FUNDED DEBT

1,000,000.00

TOTAL \$470,120,281.36

LIABILITIES

CAPITAL STOCK (INCLUDING STOCK TO BE ISSUED) AND SURPLUS (including capital surplus reserved for conversion of debentures and for other contingencies):

Stated capital	*\$189,258,409.76
Surplus—Exhibit F:	
Capital	\$35,835,144.37
Corporate	35,835,144.37

Capital surplus reserved for conversion of debentures (\$48,494,050) and for other contingencies (\$49,700,000)	98,194,050.00
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\$323,287,604.13

OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION (less \$200 in treasury and \$3,050,900 in escrow)

66,765,783.00

FUNDED DEBT:

Fixed interest debentures (less \$129,180 in treasury).....	\$267,483,000.00
Less: Fixed interest debentures deposited and held by escrow agents under the Plan of Rearrangement of Debt Capitalization.....	192,246,590.00

Remainder \$ 75,236,410.00

Sinking fund income debentures (less \$1,800,000 in treasury).....	1,648,110.00
Income debentures	105,700.00

Interest-bearing scrip, due 1937 and 1938 (including interest accrued to December 31, 1935, payable at maturity of scrip).....	864,292.17
--	------------

77,854,512.17

MATURED BOND INTEREST (UNPRESENTED COUPONS), UNPRESENTED DIVIDEND CHECKS, ETC. (contra).....

203,868.55

TAXES ACCRUED

53,454.04

INTEREST ACCRUED

1,227,173.01

RESERVE FOR TAXES (including Federal income taxes subject to final determination).....

569,199.75

MISCELLANEOUS RESERVES

158,686.71

TOTAL \$470,120,281.36

SEE NOTES ON FOLLOWING PAGE

EXHIBIT D

Associated Gas and Electric Company

NOTES TO BALANCE SHEET

December 31, 1935

* Includes \$7,169,737 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks.

The above statement excludes from the assets \$1,874,000 principal amount of Eastern Utilities Investing Corporation 5% debentures due 1954, and from the liabilities \$3,050,900 principal amount of obligations convertible into stock at company's option, which had been deposited in escrow by Associated Gas and Electric Company and Eastern Utilities Investing Corporation (a subsidiary company), respectively, under an exchange agreement dated September 18, 1935. In addition, certain stocks of Associated Gas and Electric Company, to which no value has been assigned, were deposited in escrow by Eastern Utilities Investing Corporation. The agreement may be rescinded by either party.

At December 31, 1935, undeclared cumulative interest (payable only as declared) on obligations convertible into stock at company's option amounted to \$7,566,617.22 and undeclared cumulative dividends on preferred and preference stocks (including stock issuable for obligations called for conversion) to \$9,277,162.06, on convertible obligations and stock held by the public. In addition, undeclared cumulative interest and dividends on such securities held by subsidiary companies amounted to \$2,054,116.81 and \$21,538,441.10, respectively, at December 31, 1935.

The company has a contingent liability in connection with a joint agreement to indemnify another corporation for any loss sustained through its guarantee of principal and interest on joint and refunding mortgage 5% bonds of Empire Gas and Electric Company and Empire Coke Company (principal amount \$4,543,000, due in 1941, of which \$14,000 are held in treasury of Empire Gas and Electric Company and \$1,860,000 pledged with trustee as collateral to Empire Gas and Electric Company's general and refunding mortgage bonds 6% series A, due 1952) and of dividends on Empire Gas and Electric Company's series A 6% cumulative preferred stock. There was no interest on the bonds or dividends on the stock (in hands of public) due and unpaid at December 31, 1935. The company also has a contingent liability as guarantor of interest up to 8% per annum on \$3,723,590 principal amount of income bonds of Utilities Employees Securities Company (an indirect subsidiary) issued to employees of the Associated Gas and Electric System. There was no interest due and unpaid on these bonds at December 31, 1935.

Notice of assessments for Federal income taxes with penalties and interest for the years 1927 to 1933, inclusive, and excess profits taxes for the year 1933, aggregating \$50,962,163.71, with demands for immediate payment and notice of tax liens, addressed to Associated Gas and Electric Company and/or the company and its subsidiaries, have been served on the company. The company is contesting the assessments. Additional claims for Federal taxes, which are being contested, have been asserted or assessed against subsidiary and affiliated companies, and for which some liability may exist against Associated Gas and Electric Company, if sustained.

Associated Gas and Electric Company

STATEMENT OF INCOME

For the year ended December 31, 1935

INCOME:

Dividends from subsidiary company—Associated Gas and Electric Corporation	\$1,750,273.86	
PROVISION FOR TAXES	18,676.23	
BALANCE OF INCOME BEFORE INTEREST AND \$1,150,273.86 EXPENSES OF PLAN OF REARRANGEMENT OF DEBT CAPITALIZATION	\$1,731,597.63	
INTEREST ON FIXED INTEREST DEBENTURES, INCOME DEBENTURES, AND SINKING FUND INCOME DEBENTURES	\$4,583,994.55	
INTEREST ON INTEREST-BEARING SCRIP.....	50,804.05	4,634,798.60
LOSS, EXCLUSIVE OF EXPENSES OF PLAN OF REARRANGEMENT OF DEBT CAPITALIZATION (\$1,150,273.86), WHICH WAS CHARGED TO SURPLUS, AND INTEREST ON OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION ON WHICH NO INTEREST WAS PAID DURING THE YEAR	\$2,903,200.97	

NOTE: No provision has been made in the above statement for amortization of debt discount and expense. All such discount and expense has been charged to capital surplus.

EXHIBIT E

Associated Gas and Electric Company

STATEMENTS OF CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1935

	<i>Corporate Surplus</i>	<i>Capital Surplus</i>
BALANCE, JANUARY 1, 1935.....	—	\$ 3,796,533.27
ADDITIONS:		
Discount on acquisitions and exchanges of company's debentures, etc.....		9,980,442.74
Cancellation of portion of reserve for contingencies.....		28,000,000.00
Dividends received from Associated Gas and Electric Corporation, paid out of capital surplus		114,554,145.00
Adjustment of interest applicable to prior period.....	\$ 26,039.05	
Miscellaneous	256.67	
Total	\$ 26,295.72	\$156,331,121.01
DEDUCTIONS:		
Loss for the year—Exhibit E.....	\$ 2,903,200.97	
Expenses of Plan of Rearrangement of Debt Capitalization.....	1,150,273.86	
Reduction in carrying value of investment in common stock of Associated Gas and Electric Corporation equivalent to dividends received from it out of capital surplus		\$114,554,145.00
Charge arising from exchange between the company and a subsidiary of securities for cancellation, and loss on open account.....		1,874,972.92
Capital stock reacquired and/or retired.....		38,924.09
Miscellaneous		755.52
Total	\$ 4,053,474.83	\$116,468,797.53
Remainder	\$ 4,027,179.11	\$ 39,862,323.48
TRANSFER TO CAPITAL SURPLUS OF CORPORATE DEFICIT OF ASSOCIATED GAS AND ELECTRIC COMPANY FOR THE YEAR ENDED DECEMBER 31, 1935.....	4,027,179.11	4,027,179.11
BALANCE, DECEMBER 31, 1935.....	—	\$ 35,835,144.37

NOTES: All debt discount and expense has been charged to capital surplus.

See note to balance sheet regarding cumulative interest and dividends in arrears for which no provision has been made above.

EXHIBIT F

**Associated Gas and Electric Company
and Subsidiary Companies**

CAPITAL STOCKS OF ASSOCIATED GAS AND ELECTRIC COMPANY

December 31, 1935

Description	Dates to which accumulative dividends have been paid	Number of shares outstanding with public	Stated capital
*Cumulative preferred stock (without par value):			
Original series	Oct. 1, 1932	39,331	
\$5.00 dividend series (including 49 shares to be issued, less 169,775 shares in treasury)	June 15, 1932	62,887	
\$5.50 dividend series	"	258	
\$6.00 dividend series (including 244 shares to be issued, less 7 shares in treasury)	June 1, 1932	148,506	
\$6.50 dividend series (including 20 shares to be issued)	"	68,321	
\$7.00 dividend series (including 9 shares to be issued)	Oct. 1, 1932	99,852	
*Cumulative preference stock (without par value):			
\$4.00 cumulative preference (less 10,203 shares in treasury)	May 1, 1932	40,101	
\$5.00 cumulative preference	None paid	185	
\$5.50 cumulative preference	June 15, 1932	12,660	
\$6.00 cumulative preference (including 30 shares to be issued)	Apr. 1, 1932	4,932	
\$6.50 cumulative preference (including 6 shares to be issued)	"	7,125	
Class A stock—Par value \$1.00 a share (preferred as to assets —after liquidation of preferred and preference stocks—up to \$35.00 a share, plus one-half of the remaining assets after class B and common stocks have received in the aggregate an amount equal to \$35.00 a share on the class A stock), less 1,491,847 shares in treasury		14,572,506	\$102,548,778.76
Class B stock—Par value \$1.00 a share (preferred as to assets—after liquidation of preferred and preference stocks and distribution of \$35.00 a share to holders of class A stock—to \$35.00 a share, but not to exceed in the aggregate an amount equal to \$35.00 a share on the outstanding class A stock)		607,953	
Common stock—Par value \$1.00 a share (less 643,849 shares in treasury)		1,106,823	
Common stock purchase rights		19,547.1 rts.	
Optional stock purchase warrants		6,135,163.5 wts.	
Warrants on Associated Gas and Electric Corporation 8% bonds, due 1940, for purchase of 91,469.3 shares of Asso- ciated Gas and Electric Company common stock		—	
TOTAL			\$102,548,778.76

NOTES:

* Includes shares represented by \$7,159,637 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks, as follows: Cumulative preferred, \$5.00 dividend series, 10,908 shares; \$5.50 dividend series, 86 shares; \$6.00 dividend series, 51,902.87 shares; \$6.50 dividend series, 3,376 shares; \$7.00 dividend series, 3,316.5 shares; and 2,007 shares of \$6.00 cumulative preference.

† Includes 11,754 shares represented by transferable subscription receipts; 70,839 shares represented by 6% convertible debenture certificates for class A stock; and 774 shares represented by class A receipts for 6% convertible debenture certificates—Series C.

The cumulative preferred stock is preferred as to assets, in the event of liquidation, up to \$100.00 a share plus any unpaid cumulative dividends, except in the case of the original series preferred stock which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

After the liquidation of the preferred stocks the cumulative preference stock is preferred as to assets up to \$100.00 a share, plus any unpaid cumulative dividends, except in the case of the \$4.00 cumulative preference stock which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

For statement purposes, the cost of treasury stock has been charged to capital surplus.

Stocks of Associated Gas and Electric Company held by companies included in the consolidation and which eliminate above at liquidation value are as follows: Cumulative preferred, \$5.00 dividend series, 112,167 shares; \$6.00 dividend series, 71 shares; \$6.50 dividend series, 5 shares; \$7.00 dividend series, 8 shares; \$4.00 cumulative preference, 740,264 shares; \$6.00 cumulative preference, 367,799 shares; \$6.50 cumulative preference, 7,130 shares; due bills for 10,024 shares, \$6.50 cumulative preference; and class A, 231 shares.

SCHEDULE I

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

*Capital stock of Associated Gas and Electric Company	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Preferred:			
Original Series—Cumulative (\$3.50)	39,331	—	39,331
\$7.00 Series—Cumulative	99,860	8	99,852
\$6.50 Series—Cumulative	68,326	5	68,321
\$6.00 Series—Cumulative	148,577	71	148,506
\$5.50 Series—Cumulative	258	—	258
\$5.00 Series—Cumulative	175,054	112,167	62,887
Preference:			
\$6.50 Series—Cumulative	24,279	17,154	7,125
\$6.00 Series—Cumulative	372,731	367,799	4,932
\$5.50 Series—Cumulative	12,660	—	12,660
\$5.00 Series—Cumulative	185	—	185
\$4.00 Series—Cumulative	780,365	740,264	40,101
Class A	4,572,737	231	4,572,506
Class B	607,953	—	607,953
Common	1,106,823	—	1,106,823
Optional Stock Purchase Warrants	1,246,580†	—	1,246,580†
Common Stock Purchase Rights	93,067.6‡	1,598.3‡	91,469.3‡

* Includes unsurrendered Convertible Debenture Certificates, etc., which have been called for conversion into cumulative preferred and preference stocks, as explained in previous reports.

† Shares of Class A Stock issuable upon exercise of warrants.

‡ Shares of Common Stock issuable upon exercise of rights.

Obligations of Associated Gas and Electric Company convertible into stock at Company's option and obligations of subsidiary company of equivalent rank.	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
ASSOCIATED GAS AND ELECTRIC COMPANY:				
Convertible Obligations, Series A	7	\$ 3,565,300	\$ —	\$ 3,565,300
Convertible Obligations, Series A	6½	1,220,600	500	1,220,100
Convertible Obligations, Series A	6	25,901,586	11,800	25,889,786
Convertible Obligations, Series A	5½	381,797	—	381,797
Convertible Obligations, Series A	5	34,336,000	15,864,400	18,471,600
Convertible Obligations, Series B	6	1,360,500	300	1,360,200
EASTERN UTILITIES INVESTING CORPORATION:				
Debentures, due 1954	5	937,000	4,000	933,000
Total				\$51,821,783

Funded debt of Associated Gas and Electric Company	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by Escrow Agents	Amount held by public
Debentures, due 1983	4	\$13,967,310.00	—	\$12,468,900.00	\$1,498,410.00
Convertible Debentures, due 1977	5½	8,812,000.00	\$768,600.00	5,470,000.00	2,573,400.00
Debenture Bonds, Consolidated Refunding:					
Series due 1968	5	85,650,300.00	—	60,478,600.00	25,171,700.00
Series due 1958	4½	16,964,000.00	400.00	12,632,200.00	4,331,400.00
Convertible Debentures, due 1950	5	49,980,000.00	—	32,852,100.00	17,127,900.00
Convertible Debentures, due 1949	4½	65,483,500.00	—	50,371,000.00	15,112,500.00
Convertible Debentures, due 1948	4½	3,899,950.00	—	2,413,050.00	1,486,900.00
Convertible Investment Certificates	5½	14,260,400.00	—	9,967,100.00	4,293,300.00
Convertible Debenture Bonds, due 1965	5	7,465,540.00	—	5,593,640.00	1,871,900.00
Sinking Fund Income Debentures, due 1983:					
Series A	5½	331,640.00	18,500.00	—	313,140.00
Series B	5	825,670.00	108,475.00	—	717,195.00
Series C	4½	200,430.00	6,100.00	—	194,330.00
Series D	4	290,370.00	102,380.00	—	187,990.00
Income Debentures, due 1983	5	105,700.00	9,000.00	—	96,700.00
Interest-Bearing Scrip, due 1937 and 1938	7	864,292.17	—	—	864,292.17
Total					\$75,841,057.17

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Capital stock of General Gas & Electric Corporation and Eastern Utilities Investing Corporation	Shares outstanding	Shares eliminated in consolidation	Shares held by public	
GENERAL GAS & ELECTRIC CORPORATION:				
\$8.00 Cumulative Preferred	15,343.85	12,130.5	3,213.35	
\$7.00 Cumulative Preferred	22,266.9	16,016.5	6,250.4	
\$6.00 Cumulative Convertible Preferred, Series A and B.....	619,804	568,907	50,897	
Class A—Common	4,911,749	2,694,327	2,217,422	
Class B—Common	3,047,000	3,036,331	10,669	
EASTERN UTILITIES INVESTING CORPORATION:				
Prior Preferred—Cumulative (\$5.00)	14,060	13,979	81	
\$7.00 Preferred—Cumulative	347	—	347	
\$6.00 Preferred—Cumulative	9,391	9,319	72	
Participating Preference	23,402	23,296	106	
Class A—Common	69,445	23,552	45,893	
Preferred stocks of other subsidiary companies	Rate per share	Shares outstanding	Shares eliminated in consolidation	Shares held by public
American Utilities Company—Cumulative	\$7.00	12,947	12,308	639
Broad River Power Company—Cumulative	7.00	38,105	36,174	1,931
Eastern Shore Public Service Company—Cumulative.....	6.50	14,540	—	14,540
Eastern Shore Public Service Company—Cumulative.....	6.00	20,185	—	20,185
Empire Gas and Electric Company—Series A—Cumulative	6.00	3,150	1,766	1,384
Empire Gas and Electric Company—Series C—Cumulative	7.00	13,816	7,713	6,103
Empire Gas and Electric Company—Series D—Cumulative	6.00	9,803	7,564	2,239
Florida Power Corporation—Cumulative	3.50	5,940	420	5,520
Florida Power Corporation—Cumulative	7.00	28,762	—	28,762
Florida Public Service Company—Cumulative.....	7.00	21,652	21,525	127
Georgia Power and Light Company—Cumulative	6.00	10,572	—	10,572
Metropolitan Edison Company—Prior Preferred	7.00	5,734	—	5,734
Metropolitan Edison Company—Prior Preferred	6.00	91,802	267	91,535
Metropolitan Edison Company—Prior Preferred	5.00	199	51	148
Metropolitan Edison Company—Cumulative	7.00	11,518	10,920	598
Metropolitan Edison Company—Cumulative	6.00	95,886	81,561	14,325
Metropolitan Edison Company—Cumulative	5.00	5,686	5,499	187
New Jersey Power & Light Company—Cumulative	6.00	33,060	21,503	11,557
New Jersey Power & Light Company—Cumulative	5.00	1,041	1,023	18
New York Central Electric Corporation—Cumulative.....	7.00	46,681	35,078	11,603
NY PA NJ Utilities Company—Non-Cumulative	3.00	6,138.2	64.4	6,073.8
Ohio-Midland Light and Power Company—Cumulative	5.00	1,978.6	1,874.37	104.23
Penn Central Light and Power Company—Cumulative.....	5.00	123,466	42	123,424
Penn Central Light and Power Company—Cumulative.....	2.80	84,029	60	83,969
Rochester Gas and Electric Corp.—Cumulative—Series B	7.00	40,000	12,919	27,081
Rochester Gas and Electric Corp.—Cumulative—Series C	6.00	27,000	12,667	14,333
Rochester Gas and Electric Corp.—Cumulative—Series D	6.00	171,871	31,639	140,232
Tide Water Power Company—Cumulative	6.00	23,858	—	23,858
Virginia Public Service Company—Cumulative	7.00	40,440	—	40,440
Virginia Public Service Company—Cumulative	6.00	53,779	—	53,779
Common and participating stocks of other subsidiary companies	Shares outstanding	Shares eliminated in consolidation	Shares held by public	
American Utilities Company	87,441	87,109	332	
The Clarion River Power Company—Participating.....	44,530	39,794.8	4,735.2	
Ohio-Midland Light and Power Company—Class A	3,778.6	3,596.27	182.33	
Reading Traction Company	20,000	19,996	4	
Tide Water Power Company	115,789	115,750	39	
West Virginia Light, Heat and Power Company.....	5,000	4,655	345	

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Funded debt of Associated Gas and Electric Corporation	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
Bonds, due 1940.....	8	\$ 9,297,300.00	\$ 159,830.00	\$ 9,137,470.00
Convertible Debentures, due 1973.....	5½	3,583,700.00	20,450.00	3,563,250.00
Convertible Debentures, due 1973.....	5	24,934,050.00	973,580.00	23,960,470.00
Convertible Debentures, due 1973.....	4½	18,309,550.00	182,670.00	18,126,880.00
Convertible Debentures, due 1973.....	4	1,666,750.00	23,650.00	1,643,100.00
Income Debentures, due 1978.....	4½	7,934,430.00	48,300.00	7,886,130.00
Income Debentures, due 1978.....	4	48,074,590.00	228,815.00	47,845,775.00
Income Debentures, due 1978.....	3¾	22,975,900.00	220,970.00	22,757,930.00
Income Debentures, due 1978.....	3½	8,999,990.00	43,000.00	8,956,990.00
Total				\$143,877,995.00
Funded debt of other subsidiary companies	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
ASSOCIATED ELECTRIC COMPANY:				
Bonds, due 1953.....	4½	\$ 30,000,000.00	\$ 2,356,800.00	\$ 27,643,200.00
Bonds, due 1961.....	5	35,000,000.00	266,000.00	34,734,000.00
BINGHAMTON LIGHT, HEAT & POWER CO.:				
First Refunding Mortgage, due 1946.....	5	6,971,000.00	2,000.00	6,969,000.00
BROAD RIVER POWER COMPANY:				
First and Refunding Mortgage, Series A, due 1954.....	5	8,181,400.00	4,465,900.00	3,715,500.00
CANADEA POWER CORPORATION:				
First Mortgage, due 1958.....	5	2,000,000.00	—	2,000,000.00
COLUMBIA RAILWAY, GAS AND ELECTRIC COMPANY:				
First Mortgage Sinking Fund, due 1936.....	5	1,225,000.00	4,000.00	1,221,000.00
EASTERN POWER COMPANY:				
Collateral Note, due 1941-1945.....	5	3,350,000.00	—	3,350,000.00
EASTERN SHORE PUBLIC SERVICE COMPANY:				
First Mortgage and First Lien, Series A, due 1947.....	5½	4,800,000.00	—	4,800,000.00
First Mortgage and First Lien, Series B, due 1955.....	5	2,250,000.00	—	2,250,000.00
ELMIRA WATER, LIGHT AND RAILROAD COMPANY:				
First Consolidated Mortgage, due 1956.....	5	5,000,000.00	75,000.00	4,925,000.00
EMPIRE GAS AND ELECTRIC COMPANY:				
General and Refunding Mortgage, Series A, due 1952.....	6	1,860,000.00	54,000.00	1,806,000.00
EMPIRE GAS AND ELECTRIC CO. AND EMPIRE COKE CO.:				
Joint First and Refunding Mortgage, due 1941.....	5	2,669,000.00	48,000.00	2,621,000.00
ERIE LIGHTING COMPANY:				
First Mortgage Sinking Fund, due 1967.....	5	4,814,500.00	17,000.00	4,797,500.00
FLORIDA POWER CORPORATION:				
First Mortgage, Series A, due 1979.....	5½	9,000,000.00	—	9,000,000.00
First Mortgage, Series B, due 1956.....	5½	2,000,000.00	—	2,000,000.00
FLORIDA PUBLIC SERVICE COMPANY:				
First Mortgage, Series C, due 1955.....	4	6,000,000.00	914,700.00	5,085,300.00
GENERAL GAS & ELECTRIC CORPORATION:				
Notes, due 1936 and 1937.....	5	933,250.00	374,825.00	558,425.00
Interest-Bearing Scrip, due 1937 and 1938.....	7	855,584.24	—	855,584.24
GENERAL UTILITY INVESTORS CORPORATION:				
Secured Notes, due 1937-1938.....	4	1,500,000.00	—	1,500,000.00
GEORGIA POWER AND LIGHT COMPANY:				
First Mortgage, due 1978.....	5	3,140,000.00	—	3,140,000.00
INDIANA GAS UTILITIES COMPANY:				
First Mortgage, due 1946.....	5	815,000.00	88,000.00	727,000.00
LEXINGTON WATER POWER COMPANY:				
First Mortgage, due 1968.....	5	11,641,900.00	3,083,200.00	8,558,700.00
LOOKPORT LIGHT, HEAT AND POWER COMPANY:				
First Mortgage, Series A, due 1954.....	5½	1,218,000.00	143,000.00	1,075,000.00
LONG ISLAND WATER CORPORATION:				
First Mortgage, due 1955.....	5½	2,144,000.00	70,000.00	2,074,000.00
THE MANILA ELECTRIC RAILROAD AND LIGHTING CORP.:				
First Lien and Collateral Trust, due 1953.....	5	2,283,000.00	1,618,000.00	665,000.00

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Funded debt of other subsidiary companies	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
THE MARYLAND LIGHT AND POWER COMPANY:				
First Mortgage, Series A, due 1950.....	5½	\$ 1,249,000.00	\$ 157,000.00	\$ 1,092,000.00
METROPOLITAN EDISON COMPANY:				
First Mortgage, Series D, due 1968.....	4½	22,830,500.00	136,000.00	22,694,500.00
First Mortgage, Series E, due 1971.....	4	4,684,000.00	3,000.00	4,681,000.00
First Mortgage, Series G, due 1965.....	4	11,710,900.00	—	11,710,900.00
THE METROPOLITAN EDISON CORPORATION:				
Secured Consolidated Refunding, due 1961.....	6	1,929,400.00	1,383,100.00	546,300.00
NEW JERSEY POWER & LIGHT COMPANY:				
First Mortgage, due 1960.....	4½	13,920,000.00	63,200.00	13,856,800.00
NEW YORK CENTRAL ELECTRIC CORPORATION:				
First Mortgage, due 1950.....	5½	3,284,500.00	203,500.00	3,081,000.00
First Mortgage, due 1952.....	5	1,153,000.00	441,000.00	712,000.00
NEW YORK STATE ELECTRIC & GAS CORPORATION:				
First Mortgage, due 1962.....	5½	3,445,000.00	24,000.00	3,421,000.00
First Mortgage, due 1952.....	6	361,000.00	39,000.00	322,000.00
First Mortgage, due 1980.....	4½	17,094,500.00	4,408,700.00	12,685,800.00
First Mortgage, due 1960.....	4½	8,490,000.00	542,500.00	2,947,500.00
NEWPORT NEWS AND HAMPTON RAILWAY, GAS AND ELECTRIC COMPANY:				
First and Refunding Mortgage, due 1944.....	5	3,779,500.00	—	3,779,500.00
NEWPORT NEWS & OLD POINT RAILWAY & ELECTRIC CO.:				
First Mortgage, due 1938.....	5	885,000.00	—	885,000.00
NORTHERN PENNSYLVANIA POWER COMPANY:				
First and Refunding Mortgage, Series A, due 1956.....	5	1,369,900.00	26,000.00	1,343,900.00
First and Refunding Mortgage, due 1962.....	5	2,089,600.00	708,000.00	1,381,600.00
THE PAER SHOALS POWER COMPANY:				
First Mortgage Sinking Fund, due 1952.....	5	1,959,000.00	27,000.00	1,932,000.00
PENN CENTRAL LIGHT AND POWER COMPANY:				
First Mortgage, due 1979.....	5	2,175,000.00	—	2,175,000.00
First Mortgage, due 1977.....	4½	25,700,000.00	—	25,700,000.00
PENN PUBLIC SERVICE CORPORATION:				
First and Refunding Mortgage, Series C, due 1947.....	6	4,549,000.00	20,000.00	4,529,000.00
First and Refunding Mortgage, Series D, due 1954.....	5	2,435,000.00	91,000.00	2,344,000.00
PENNSYLVANIA ELECTRIC COMPANY:				
First and Refunding Mortgage, Series H, due 1962.....	5	17,313,500.00	5,627,300.00	11,686,200.00
First and Refunding Mortgage, Series F, due 1971.....	4	6,657,000.00	149,000.00	6,508,000.00
RICHMOND LIGHT & RAILROAD COMPANY:				
First and Collateral Trust, due 1952.....	4	1,000,000.00	11,000.00	989,000.00
ROCHESTER GAS AND ELECTRIC CORPORATION:				
General Mortgage, Series D, due 1977.....	4½	6,000,000.00	—	6,000,000.00
General Mortgage, Series E, due 1962.....	5	8,323,000.00	—	8,323,000.00
General Mortgage, Series F, due 1960.....	4	4,152,000.00	—	4,152,000.00
ROCHESTER RAILWAY AND LIGHT COMPANY:				
Consolidated Mortgage, due 1954.....	5	10,803,000.00	100.00	10,802,900.00
THE SCIOTO VALLEY RAILWAY AND POWER COMPANY:				
First Mortgage, due 1943.....	6	1,051,000.00	35,500.00	1,015,500.00
SOUTHSIDE VIRGINIA POWER COMPANY:				
First Mortgage, Series A, due 1956.....	5	2,000,000.00	—	2,000,000.00
TIDE WATER POWER COMPANY:				
First Mortgage, Series A, due 1979.....	5	6,261,500.00	—	6,261,500.00
VIRGINIA PUBLIC SERVICE COMPANY:				
First Mortgage and Refunding, Series A, due 1946.....	5½	14,651,000.00	—	14,651,000.00
First Mortgage and Refunding, Series B, due 1950.....	5	7,500,000.00	—	7,500,000.00
First Mortgage and Refunding, Series C, due 1952.....	6	3,000,000.00	—	3,000,000.00
Sinking Fund Debentures, due 1946.....	6	3,761,500.00	—	3,761,500.00
YORK HAVEN WATER AND POWER COMPANY:				
Bonds, due 1951.....	5	1,247,500.00	2,000.00	1,245,500.00
MISCELLANEOUS				6,075,956.32
Total				\$351,864,065.56

Associated Gas and Electric Company

TRUSTEES, PAYING AGENTS, REGISTRARS AND TRANSFER AGENTS

Capital Stock and Obligations Convertible into Stock at Company's Option	Transfer Agents	Registrars
	(see reference below)	
Preferred—all series	1	2
Preference—all series	1	2
Class A	1-10	5-9
Class B	3	—
Common	1-10	2-9
Optional Stock Purchase Warrants	1	2
Common Stock Purchase Rights	1	2
Convertible Obligations, Series A and Series B	1	8

Funded Debt	Interest Rate %	Interest dates	Interest payable at	Trustee
			(see reference below)	
Debentures, due 1983	4	M&S-15	1	8
Convertible Debentures, due 1977	5½	F&A-1	1	7
Debenture Bonds, Consolidated Refunding:				
Series due 1968	5	A&O-1	1	5
Series due 1958	4½	M&N-1	1	4
Convertible Debentures, due 1950	5	F&A-1	1	8
Convertible Debentures, due 1949	4½	J&J-15	1	4
Convertible Debentures, due 1948	4½	M&S-1	1	7
Convertible Investment Certificates	5½	M&N-15*	1	1†
Convertible Debenture Bonds, due 1965	5	M&N-15	1	6
Sinking Fund Income Debentures, due 1983:				
Series A	5½	F&A-1	1	8
Series B	5	M&S-1	1	8
Series C	4½	M&N-1	1	8
Series D	4	M&S-15	1	8
Income Debentures, due 1983	5	A&O-1	1	8
Interest-Bearing Scrip, due 1937 and 1938	7	‡	—	1†

* Registered FMAN-15.

† Transfer agent.

‡ Interest payable at maturity.

REFERENCE

- | | |
|--|--|
| 1 Transfer and Coupon Paying Agency, 61 Broadway, New York | 6 Irving Trust Company, New York |
| 2 Securities Registration Agency, 61 Broadway, New York | 7 The New York Trust Company, New York |
| 3 The Company, Ithaca, N. Y. | 8 The Public National Bank and Trust Company of New York |
| 4 The Chase National Bank of the City of New York | 9 The First National Bank of Boston (Mass.) |
| 5 Guaranty Trust Company of New York | 10 State Street Trust Company, Boston, Mass. |

Geographical Distribution of Registered and Coupon Security Holders

of

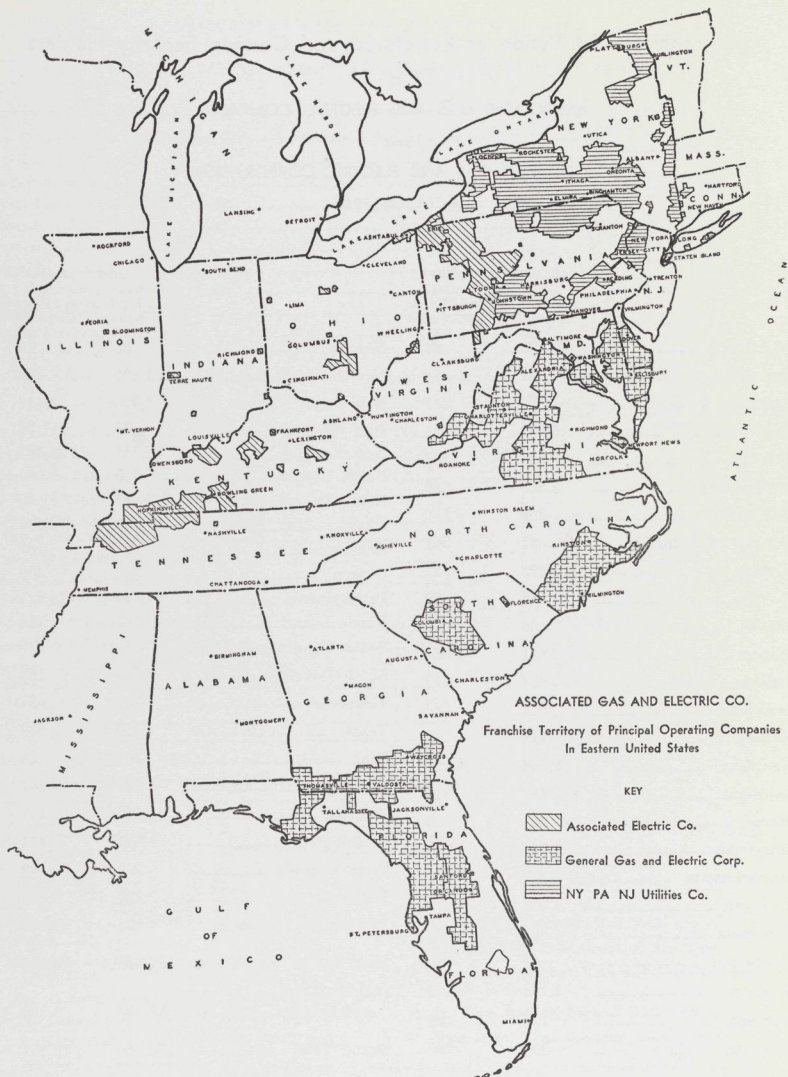
ASSOCIATED GAS AND ELECTRIC COMPANY

and

ASSOCIATED GAS AND ELECTRIC CORPORATION

As of July, 1936

	<i>Associated Gas and Electric Company</i>	<i>Associated Gas and Electric Corporation</i>		<i>Associated Gas and Electric Company</i>	<i>Associated Gas and Electric Corporation</i>
Alabama	109	84	Nevada	38	16
Arizona	57	20	New Hampshire	1,895	335
Arkansas	227	247	New Jersey	7,326	3,443
California	6,900	4,771	New Mexico	34	23
Colorado	958	263	New York	58,317	24,337
Connecticut	2,305	662	North Carolina	225	64
Delaware	268	186	North Dakota	67	50
District of Columbia.....	637	281	Ohio	1,500	1,063
Florida	995	757	Oklahoma	308	167
Georgia	372	99	Oregon	392	300
Idaho	59	36	Pennsylvania	34,844	16,625
Illinois	8,811	4,088	Rhode Island	1,780	448
Indiana	991	910	South Carolina	632	478
Iowa	612	739	South Dakota	538	152
Kansas	113	148	Tennessee	707	427
Kentucky	2,236	1,125	Texas	940	539
Louisiana	413	845	Utah	167	24
Maine	1,208	750	Vermont	307	157
Maryland	1,397	722	Virginia	440	152
Massachusetts	9,937	4,840	Washington	1,641	424
Michigan	1,408	1,298	West Virginia	263	89
Minnesota	1,357	623	Wisconsin	2,120	2,020
Mississippi	44	30	Wyoming	105	24
Missouri	1,123	1,190	Total United States.....	157,648	76,525
Montana	127	89	U. S. Possessions and Foreign.....	13,200	3,332
Nebraska	398	365	Grand Total	<u>170,848</u>	<u>79,857</u>



ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT
1936

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1936

ASSOCIATED GAS AND ELECTRIC COMPANY

Officers

J. I. MANGE Chairman and President
S. J. MAGEE Vice-President and General Manager
F. S. BURROUGHS Vice-President
H. G. BOYNTON Vice-President
F. P. CUMMINGS Consulting Vice-President
C. A. DOUGHERTY Vice-President and Secretary
O. E. WASSER Vice-President and Treasurer

Directors

GARRETT A. BROWNBACK	HENRY R. HAYES
FREDERICK S. BURROUGHS	SANFORD J. MAGEE
FRANCIS P. CUMMINGS	JOHN I. MANGE
HENRY C. HASBROUCK	WILLIAM A. PRENDERGAST

PRINCIPAL OFFICE Ithaca, New York

Neither this report, nor any statement contained herein, is furnished in connection with any offering of securities or for the purpose of promoting or influencing the sale or purchase of securities.

ASSOCIATED GAS AND ELECTRIC COMPANY

ANNUAL REPORT

For the Year Ended December 31, 1936

ASSOCIATED GAS AND ELECTRIC COMPANY benefited from the substantial progress made by its subsidiaries during the year in several phases of their business. Electric and gas output of the subsidiaries reached new high levels, and revenues showed encouraging increases. Serious legal matters were settled. Exchanges under the Plan of Rearrangement of Debt Capitalization, which was inaugurated in 1933, now amount to more than \$200,000,000. Further progress was made in simplifying the corporate structure and in assimilating new properties acquired in 1935.

Progress in these matters does not clear away all the perplexities of the future, however. Taxes continue to increase at a faster rate than operating revenues. Constitutionality of the Public Utility Act of 1935 (Wheeler-Rayburn Bill) has not been determined, and this uncertainty casts a shadow on the future of the industry.

Comparison of Operating Results of Company and Subsidiaries

(Including acquired properties only since dates of acquisition)

	Years ended December 31		Increase	
	1936	1935	Amount	%
Gross Operating Revenues.....	\$115,810,346.46	\$93,215,717.33	\$22,594,629.13	24.2
Operating Expenses and Maintenance.....	59,161,101.23	48,319,901.56	10,841,199.67	22.4
Balance Before Taxes and Provision for Retirements.....	\$ 56,649,245.23	\$44,895,815.77	\$11,753,429.46	26.2
Taxes	12,508,493.98	9,799,411.27	2,709,082.71	27.6
Balance Before Provision for Retirements.....	\$ 44,140,751.25	\$35,096,404.50	\$ 9,044,346.75	25.8
Provision for Retirements.....	9,311,349.05	8,081,815.82	1,229,533.23	15.2
Operating Income	\$ 34,829,402.20	\$27,014,588.68	\$ 7,814,813.52	28.9
Other Income	1,765,460.79	1,690,741.98	74,718.81	4.4
Gross Income	\$ 36,594,862.99	\$28,705,330.66	\$ 7,889,532.33	27.5
Fixed Deductions from Income:				
Subsidiary Companies:				
Operating Utility and Group Companies.....	\$ 24,769,310.40	\$18,164,520.63	\$ 6,604,789.77	36.4
Associated Gas and Electric Corporation.....	6,057,060.46	5,833,956.61	223,103.85	3.8
Associated Gas and Electric Company.....	3,435,418.50	4,398,040.41	962,621.91*	21.9*
Total Fixed Deductions from Income.....	\$ 34,261,789.36	\$28,396,517.65	\$ 5,865,271.71	20.7
Balance	\$ 2,333,073.63	\$ 308,813.01	\$ 2,024,260.62	655.5

* Decrease.

The above statement excludes in both years expenses in connection with the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company amounting to \$799,140.66 in 1936 and \$1,150,273.86 in 1935, which were charged to corporate surplus. It also excludes extraordinary non-recurring expenses in connection with various investigations, legal cases, etc. amounting to \$1,034,985.76 in 1936 and \$1,810,245.90 in 1935, such amounts being charged to operating or non-operating expenses by subsidiaries but to corporate surplus in consolidated statements. The statement for the year ended December 31, 1935 also excludes \$429,856.38 deductions of subsidiaries dependent upon income from Associated Gas and Electric Company.

A non-utility subsidiary, Utilities Employees Securities Company, and its subsidiary, not previously included in consolidated statements, are included above for the year 1936, but not for the year 1935. The consolidated net income for the year 1936 attributable to these subsidiaries was \$951,484.64.

RESULTS OF OPERATIONS

(Since Acquisition Basis)

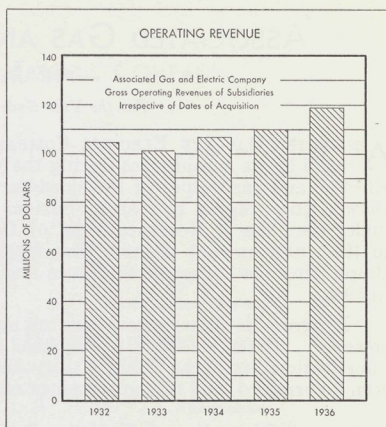
Total operating revenues were \$115,810,346.46, which is \$22,594,629.13, or 24.2% higher than the \$93,215,717.33 for 1935. Most of this increase came from greater electric revenues, which at \$92,767,745.36 were \$19,576,814.11 more than in the year before.

Operating expenses and maintenance (not including non-recurring expenses excluded from the statement of consolidated income) also increased, rising to \$59,161,101.23 from \$48,319,901.56, an increase of \$10,841,199.67. Another large increase was in taxes, which stood at \$12,508,493.98, or \$2,709,082.71 higher than in 1935. Operating income was \$34,829,402.20, or \$7,814,813.52 greater than in 1935.

These figures are on the "Since Acquisition" basis, which includes the operations of acquired properties only since dates of acquisition. An important group of properties was acquired in the latter part of 1935, and additional properties were added in the latter part of 1936.

(Earning Power Basis)

The "Earning Power" statement below includes for the full periods the operations of all subsidiaries, irrespective of dates of acquisition. Comparison is made of the years ended December 31, 1936 and 1935, as well as the latest period available (the twelve months ended September 30, 1937 and 1936). Non-recurring expenses are also excluded from this "Earning Power" statement.



This statement shows that while the rate of increase in operating revenues was about the same in the twelve-months' periods ending September 1937 and December 1936, the rate of increase in taxes was greater and provision for retirements was larger, resulting in a decrease in operating income. It is notable that whereas the increase in taxes during the twelve-months ended December 1936 was 10.5%, it was 33.6% for the twelve months ended September 1937.

Comparison of Operating Results of Company and Subsidiaries

(Including acquired properties for entire period—irrespective of dates of acquisition)

	Twelve months ended September 30		Twelve months ended Dec. 31	
	1937	1936	1936	1935
Operating Revenues:				
Electric	\$100,035,948	\$ 92,118,518	\$ 94,634,924	\$ 88,160,822
Gas	13,462,098	13,165,696	13,466,889	12,694,527
Transportation	6,258,019	5,717,535	5,847,847	5,355,079
Heating	1,596,303	1,607,392	1,650,834	1,548,606
Water	1,299,370	1,278,561	1,289,850	1,220,980
Ice	1,287,635	1,216,259	1,229,141	1,198,607
Total Gross Operating Revenues.....	\$123,939,373	\$115,103,961	\$118,119,485	\$110,178,621
Operating Expenses and Maintenance.....	62,639,463	59,014,830	60,158,102	55,538,754
Balance Before Taxes and Provision for Retirements..	\$ 61,299,910	\$ 56,089,131	\$ 57,961,383	\$ 54,639,867
Taxes	15,462,229	11,575,702	12,880,657	11,657,956
Balance Before Provision for Retirements.....	\$ 45,837,681	\$ 44,513,429	\$ 45,080,726	\$ 42,981,911
Provision for Retirements.....	11,144,671	8,671,641	9,534,899	9,511,117
Operating Income	\$ 34,693,010	\$ 35,841,788	\$ 35,545,827	\$ 33,470,794

Summary of Operations

(Including acquired properties for entire period—irrespective of dates of acquisition)

	1936	1935	% Increase
Number of electric customers.....	1,225,660	1,172,093	4.6
Number of customers using gas, water and steam service.....	359,853	351,204	2.5
Gross operating revenues.....	\$118,119,485	\$110,178,621	7.2
Operating income.....	\$35,545,827	\$33,470,794	6.2
Total electric output in units (kwh.) net.....	4,195,539,675	3,742,788,240	12.1
Total gas sendout in units (m.c.f.).....	16,930,266	15,681,181	8.0
Units of electricity (kwh.) sold per residential customer.....	644	590	9.2
Units of gas (m.c.f.) sold per residential customer.....	33.3	31.7	5.0
Estimated annual revenue resulting from New Business activities....	\$8,540,440	\$7,536,027	13.3

Output of electricity during 1936 was 4,195,539,675 units (kwh.), which is an increase of 452,751,435 units or 12% above the previous year. Gas sendout was 16,930,266,500 cubic feet, or 8% higher than in 1935.

The Company paid \$9,953,638.70 representing three and one-half years' interest on Convertible Obligations held by the public. These payments were made in the form of scrip in lieu of cash, and eliminated all arrears against the obligations.

NEW BUSINESS

The new business activities of the Associated System are coordinated by the New Business Department of the mutualized service company.

The Industrial Development Division of the New Business Department cooperated with the local operating companies and community organizations in helping 262 industrial concerns find sites and locate in Associated areas. This activity resulted in the employment of 10,923 wage earners and the contracting of \$509,709 in estimated annual gas and electric requirements. Loss by removal or failure of certain concerns offset this gain to some extent, so that the net gain was \$306,077 in estimated revenues from manufacturers.

The estimated use by customers of load-building home appliances and other equipment sold during the year by subsidiaries and dealers with the co-operation of the New Business Department should add, on the basis of present rates, about \$8,540,440 annually to operating revenues. This is 13.3% more than was secured in 1935. Some of this, of course, will be offset by losses from discontinuance of services through removals and other causes. It is estimated this new revenue will come from the following sources: domestic, including gas house heating, \$4,340,124; commercial, \$2,286,500; industrial, \$1,913,816. Among the major appliances sold were 82,585 automatic refrigerators, 33,078 electric and gas ranges, 16,569 automatic water heaters, and 37,820 washing machines.

PAY ROLL IS 11% HIGHER

During the year there was an increase of 11% in the amount of pay roll for both regular and temporary employees. Pay roll and average number of employees for the years 1936 and 1935 were as follows:

	Total Pay Roll	Regular Employees	Temporary Employees
1936.....	\$32,764,287	19,590	2,142
1935.....	29,550,701	19,006	1,956

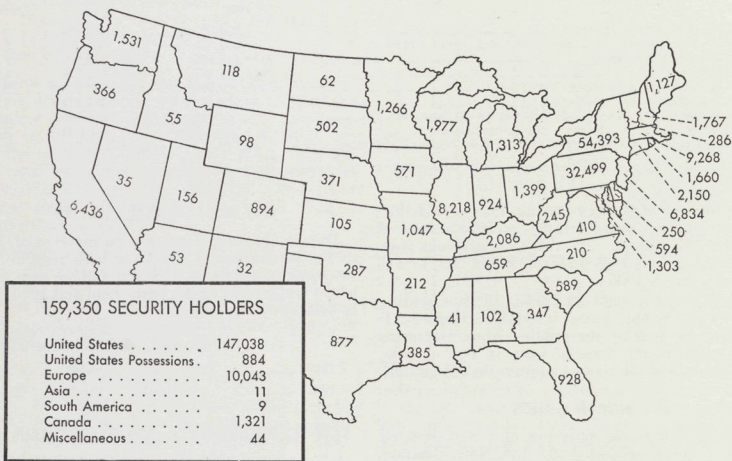
SUIT TO REORGANIZE COMPANY DISMISSED

The proceeding against Associated Gas and Electric Company for involuntary reorganization under Section 77-B of the Bankruptcy Act was dismissed January 11, 1937 with the consent of all parties.

A stipulation was made between the parties to the suit which contemplates, among other things, further simplification of the Associated System. That process has now been under way for some time. In further compliance with provisions of the stipulation Messrs. William A. Prendergast, formerly Chairman of the New York Public Service Commission, Henry R. Hayes, former President of the Investment Bankers Association of America, and Francis P. Cummings, a former Vice-President of Commonwealth and Southern Corporation, were elected on November 17, 1936 to the Board of Associated Gas and Electric Company and on November 18, 1936, to the Board of Associated Gas and Electric Corporation, its immediate subsidiary. In addition, Mr. Cummings has become consulting Vice-President of Associated Gas and Electric Company and a member of its executive committee.

Inasmuch as they did not become Directors until practically the close of 1936, it is but proper to point out that many of the matters mentioned in this report were acted upon prior to their election to the Board.

ASSOCIATED GAS AND ELECTRIC COMPANY
159,350 REGISTERED AND COUPON SECURITY HOLDERS



LIBEL SUITS

In the suits brought in the Superior Court for Suffolk County, in Massachusetts, by Associated Gas and Electric Company against Atlantic Monthly Company and Atlantic Monthly Press, Inc., for libel by publishing in the Atlantic Monthly for July, 1933 an article by N. R. Danielian entitled "Gas: A Study in Expansion", final judgments *in favor of Associated Gas and Electric Company* were entered July 22, 1937, upon the filing of formal agreements therefor.

Suits brought by Associated Gas and Electric Company against the New Republic and the Survey Graphic for libel are still pending.

159,350 SECURITY HOLDERS

Registered and coupon security holders of Associated Gas and Electric Company totaled 159,350 in June, 1937. These holders are found in every State. New York leads with 54,393, followed by Pennsylvania with 32,499 holders; Massachusetts, 9,268; Illinois, 8,218; New Jersey, 6,834; California, 6,436. There are 884 in U. S. Possessions, and 11,428 in other countries, a large number of whom are in Holland.

MANAGEMENT

Subject to the control of the Boards of Directors of the companies, The Utility Management Corporation acts as operating advisers and assistants and the E. M. Gilbert Engineering Corporation acts as engineering and construction consultants. These companies and the purchasing company of the Associated Gas & Electric System are owned by Utilities Mutual Management Association, Inc. A majority of the operating subsidiaries of Associated Gas and Electric Company are stockholders of Utilities Mutual Management Association, Inc. All such services are rendered on a mutualized basis.

Certain specialized services dealing with accounting, finance, taxation, and corporate administration are furnished under arrangements with Utility Accountants and Tax Consultants and a group of organizations performing related services which are not owned by Utilities Mutual Management Association, Inc. nor otherwise mutualized as a part of the Associated Gas & Electric System. As an incident to the performance of such services a number of employees of these organizations act as officers and directors of System companies.

PUBLIC UTILITY ACT

No changes have occurred during the year in the position of the Company in regard to compliance with the Public Utility Act of 1935 (the Wheeler-Rayburn Bill).

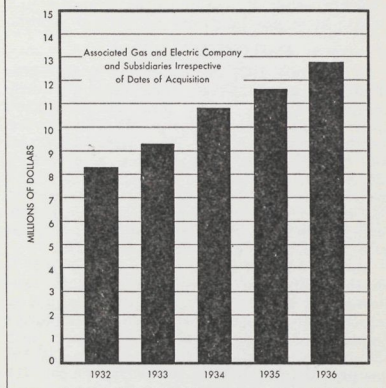
The Company did not register under the Act, but joined with several of its subsidiaries as plaintiffs in a suit in equity in the District Court of the United States for the District of Delaware, asking that the Act be adjudged to be unconstitutional. Most of the other important utility holding companies of the country also brought such suits. The Government, on the other hand, brought suit against the Electric Bond and Share Company and its affiliated holding companies to compel registration.

Judge Julian W. Mack, sitting in the United States District Court for the Southern District of New York, conducted hearings in the case against the Electric Bond and Share Company and early in 1937 adjudged the Act constitutional in so far as it required registration of holding companies. This decision has been appealed. Soon after Judge Mack's decision a few holding company systems decided to register, but the great majority, including the Associated Gas and Electric Company, have not done so.

The uncertainty regarding the constitutionality of the Public Utility Holding Company Act is one of the important factors which makes financing through the sale of securities of holding companies at present out of the question. Moreover, the Act if upheld, will impose upon holding company financing the expense of complying with its requirements and delays incident to receiving regulatory consents of the Securities and Exchange Commission. The Act itself makes exceedingly difficult through limitations on types of securities and wide discretionary powers vested in the Commission, any financing by a holding company except for the refunding of its existing securities.

Furthermore, increasing regulatory restrictions are being placed by a large number of States on sales of securities by operating subsidiaries. With the knowledge that after the necessary approvals of State Commissions to an issue of securities have been obtained, it is necessary to sell them privately or register them under the National Securities Act, it becomes obvious that public utility financing has been so encumbered with increased and overlapping regulation that such operations, no matter how desirable or beneficial, are seriously interfered with, if not actually prevented, in view of the fact that the time element is generally a controlling factor.

TAXES



TAX ASSESSMENTS

Regarding the jeopardy assessments made by the Federal Government in December, 1935 for alleged back taxes (the particulars of which are given in the note to the consolidated balance sheet on page twenty-six), active preparations have been made to contest these taxes in their entirety before the U. S. Board of Tax Appeals. The Company has been advised by eminent tax attorneys that no tax is due.

The existence of these unwarranted tax claims has hindered the saving of interest charges by the refunding of many securities of operating subsidiaries, and the financing of a very substantial program of new construction, which would provide employment and be of advantage to the communities served.

As security holders have previously been advised, the assertion of these claims was followed by a suit filed in the United States District Court for the Northern District of New York, seeking foreclosure of liens for the alleged tax claims and asking for the appointment of a receiver of the Company. This action is still pending.

AUDITING

In accordance with established policy, the accounts of Associated Gas and Electric Company and subsidiaries for the year 1936 have been examined by independent certified public accountants. A copy of the accountants' report appears on pages sixteen to twenty-seven, inclusive.

In addition to the regular examinations by independent certified public accountants, the accounts, systems and methods of the various subsidiaries

are audited by Utility Accountants and Tax Consultants, an organization composed of men who are especially qualified by training and experience to ascertain facts and prepare reports.

EMPLOYEES' WELFARE

As of July 1, 1937 there were 15,016 employees of subsidiaries of the Associated Gas and Electric Company insured for a total of \$31,672,543 under ordinary life policies provided by the Associated Insurance Plan. There were 16,704 persons insured under group policies for a total of \$34,552,500. This makes a total of \$66,225,043 of insurance under the Plan. Part of the cost of this insurance is borne by the employing companies. Since the Plan has been in effect it has paid 599 death claims totaling \$2,139,500.

Another successful year was completed in 1936 by the Employees' Investing Plan, which was started in 1931. Under the Plan, employees subscribe to securities of Utilities Employees Securities Company; these securities pay them 8% interest annually. Additional interest of 1% was paid October 1, 1937, increasing the rate for the past twelve months to 9%.

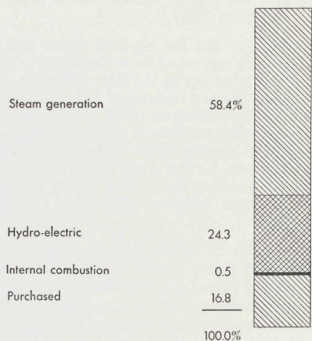
NEW PROPERTIES

The operations of Municipal Service Company and subsidiaries are included from September 1, 1936 in the accompanying "Since Acquisition" statements. A large portion of the bonds and unfunded debt of that company and a considerable portion of the preferred stocks of its subsidiaries, York Railways Company and Keystone Public Service Company, representing a substantial interest in the situation, had been acquired prior to 1936. Practically all of the balance of the common stock of Municipal Service Company was acquired for a nominal consideration in 1936.

The subsidiaries of Municipal Service Company operate in York, Pa. and vicinity, adjoining the Metropolitan Edison Company and in Oil City and Franklin, Pa., adjacent to the Western Pennsylvania properties of the Associated System. The financial structure of Municipal Service Company required reorganization and a petition was filed during 1936 under Section 77-B of the National Bankruptcy Act. A plan of reorganization was confirmed by the Court April 28, 1937.

Subsidiaries of Associated Gas and Electric Company own securities representing nearly 80% of the common stock of Jersey Central Power & Light Company, a portion of whose property is contiguous to that of the New Jersey Power & Light Company and Staten Island Edison Corporation, important operating units of the Associated System. This interest is represented by the direct ownership of approximately one-third of the common stock of Jersey Central; the balance is in the form of debentures or certificates of deposit for debentures of National Public Service Corporation,

SOURCES OF ELECTRIC OUTPUT



under which the remaining common stock is held as collateral. A protective committee has had deposited with it nearly three-quarters of the outstanding debentures of National Public Service Corporation and included in the foregoing are nearly 80% of their certificates of deposit.

Gains in business by the new properties taken into the Company's system in 1935 have been very gratifying. These properties are in Pennsylvania, Maryland, Delaware, Virginia, West Virginia, North Carolina, Georgia, and Florida. Comparative records of these properties in 1935 and 1936 are:

	1936	1935
Gross operating revenues.....	\$ 21,104,819	\$ 19,541,472
Electric output (kwh.).....	834,496,727	730,257,594
Customers	261,326	246,512

GAIN OF 62,216 CUSTOMERS

Customers served by operating subsidiary companies totaled 1,585,513 at December 31, 1936, of which 1,225,660 were electric customers, and 359,853 gas, water and steam customers. This was a gain of 62,216 customers of all classes during the year. The number of customers served as of December 31 for the past five years, including customers of all companies now subsidiaries irrespective of dates of their acquisition as subsidiaries, is as follows:

1936	1,585,513
1935	1,523,297
1934	1,482,680
1933	1,444,408
1932	1,444,322

Approximately 67% of the total customers served are concentrated in three important industrial and agricultural States, New York, New Jersey and Pennsylvania.

REVIEW OF PAST YEARS

To understand clearly the present position of the Company it is helpful to review the past several years as well as the past twelve months.

A summary of the results of operations of Associated Gas and Electric Company and subsidiaries for the years 1926 to 1936, inclusive, is given in the following consolidated statement of earnings and expenses.

This statement indicates the trend of the years but has not been adjusted to make the figures strictly comparable for the entire period. The amounts shown for the years 1932 and 1934 differ somewhat from the published reports for those years, due to minor revisions in the comparative statements in subsequent reports.

This comparison shows that over the decade 1926-1936 operating revenues increased four times, whereas operating expenses and taxes increased almost five times. These increases in expenses and taxes plus the substantial increase in provision for retirements, renewals, and replacements, resulted in operating income increasing but three times, from \$10,913,855 in 1926 to \$34,829,402 in 1936. The period of most rapid growth in operating revenues was in the late Twenties, when the Rochester Central Power Corporation and General Gas & Electric Corporation properties were acquired. Revenues also advanced materially in 1936, reflecting the acquisition during the latter part of 1935 of new properties in Pennsylvania, Delaware, Maryland, and several Southern States.

Comparison of Consolidated Earnings and Expenses

(Including acquired properties only since dates of acquisition)

Year ended Dec. 31	Operating Revenues	Operating Expenses and Taxes	Provision for Retirements	Operating Income
1926	\$ 28,063,026	\$15,521,978	\$1,627,193	\$10,913,855
1927	31,323,287	18,264,655	1,698,731	11,359,901
1928	32,357,113	18,290,276	1,830,455	12,236,382
1929	68,903,254	36,299,958	3,371,077	29,232,219
1930	84,219,293	45,324,139	4,849,193	34,045,961
1931	90,575,228	48,806,976	8,310,494	33,457,758
1932	84,826,457	47,629,246	7,251,309	29,945,902
1933	81,331,301	48,710,191	6,815,361	25,805,749
1934	85,973,089	51,491,825	7,329,680	25,151,584
1935	95,215,717	58,119,313	8,081,816	27,014,588
1936	115,810,346	71,669,595	9,311,349	34,829,402

REFINANCING PROBLEMS

The most critical problems which have confronted utilities since the bottom of the depression have been financial, aggravated by political pressure, which is still troublesome. Early in the period it became difficult or impossible to raise funds by the sale of holding company securities. The principal vehicle of utility financing employed by this System prior to that time therefore became unavailable.

The situation became difficult for the Associated Gas and Electric Company in 1932. On January 1 of that year the Company and subsidiaries were faced with the necessity of providing for the payment of \$43,729,081 of bank loans, bonds, and other obligations maturing in 1932 and 1933. The market prices of the Company's securities reflected the belief of the public that the Company could not solve that problem.

Part of the amount needed for this refinancing was raised through an issue of \$10,000,000 of 8% Eight Year Gold Bonds of the Associated Gas and Electric Corporation. Most of this offering was sold to 22,279 customers of System operating companies.

Among the maturities were those of Staten

Island Edison Corporation, Rochester Gas and Electric Corporation, and Pennsylvania Electric Company, aggregating \$26,500,000. Because of the absence of a bond or security market, it was necessary to resort temporarily to short-term financing. Eventually all of these obligations were either refunded or paid out of receipts from operations.

Outstanding in financing during 1936 was the sale of an issue of \$13,906,500 first mortgage 4% bonds, due 1965, of New York State Electric & Gas Corporation. This operation was not completed until 1937, so it is not reflected in the accompanying consolidated statements. The proceeds of the issue were used to retire eight issues of its outstanding bonds bearing higher rates of interest, thereby simplifying considerably the financial structure. They were also used to pay off a promissory note of \$750,000, the proceeds of which had been devoted entirely to the construction of rural lines. The proceeds of an additional \$250,000 principal amount of the issue were likewise used for the same purpose.

During 1936, Florida Power Corporation sold an issue of \$10,000,000 principal amount of First-Mortgage 4% Bonds due 1966, and an issue of \$2,500,000 of 5% Sinking Fund Debentures due

1946. The proceeds were used to retire \$11,050,000 funded debt bearing higher rates of interest and to provide additional working capital. Rochester Gas and Electric Corporation also sold \$10,848,000 principal amount 4% bonds, due 1960, and retired \$10,803,000 principal amount of 5% bonds. In addition, 40,000 shares of Rochester Gas and Electric Corporation 7% Preferred Stock, Series B, was called for redemption and replaced by an issue of 5% Preferred Stock, Series F, for a like number of shares. Early in 1937, Rochester Gas and Electric Corporation sold \$3,000,000 of 3¾% bonds to finance additions to property, and subsequently sold an additional \$3,000,000 of 3¾% bonds for the same purpose.

Funded debt coming due in 1937 amounted to \$9,092,148 at December 31, 1936. Of this, the largest item is an issue of \$6,106,000 principal amount of First Mortgage 30-Year 5% Gold Bonds of York Railways Company, York, Pa. Cooperation has been requested of holders of these bonds in extending this maturity ten years to December 1, 1947. The extension agreement provides that York Railways Company will cause \$616,000 principal amount of the bonds to be retired and cancelled, limiting the amount which may be at any time outstanding during the extended period to \$5,500,000. The agreement also places restrictions upon the payment of dividends on the preferred and common stocks of York Railways Company.

Notes payable were reduced from \$11,047,193.24 at December 31, 1935 to \$8,566,576.51 at December 31, 1936, a reduction during the year of \$2,367,815.00 secured notes and \$112,801.73 unsecured notes.

Eastern Utilities Investing Corporation, an investing company with \$736,000 principal amount of publicly held debentures at December 31, 1936, was the only subsidiary company in arrears of interest. This company was undergoing reorganization under Section 77-B of the National Bankruptcy Act. A plan of reorganization was approved by the Court July 26, 1937. Under its terms, a like principal amount of Associated Gas and Electric Company 5% Sinking Fund Income Debentures, due 1986 was issued in exchange for the funded debt of Eastern Utilities Investing Corporation.

Four subsidiaries, American Utilities Company, Eastern Utilities Investing Corporation, Florida Public Service Company, and Municipal Service Company were reorganized during the past few years under Section 77-B of the National Bankruptcy Act, resulting in the refinancing of Florida Public Service Company and the transfer of the assets of American Utilities Company, Eastern Utilities Investing Corporation, and Municipal Service Company to other subsidiaries of Associated Gas and Electric Company, in accordance

SOURCES OF OPERATING REVENUES

Electricity:	
Residential	30.8%
Commercial	16.4
Power	22.2
Other	10.7
Total Electricity	80.1
Gas	11.4
Total Elec. and Gas	91.5
Other	8.5
Total	100.0%



with the plans of reorganization approved by the Courts.

PLAN OF REARRANGEMENT OF DEBT CAPITALIZATION

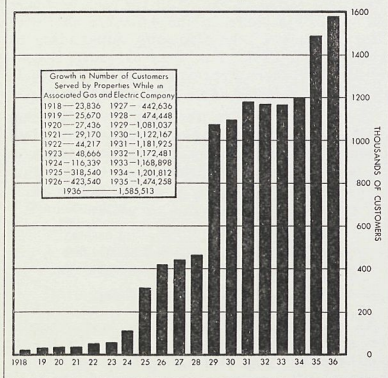
One of the outstanding accomplishments of the Company during the depression period was the success of the Plan of Rearrangement of Debt Capitalization. This Plan was inaugurated in May 1933, with the purpose of reducing fixed interest charges on Company debentures and of substituting interest charges based on income and payable only when earned. During the four years which followed, more than \$200,000,000 principal amount of Company debentures has been deposited under its terms, which is about 76% of the entire amount outstanding.

The Plan has resulted in accumulated savings in fixed interest charges of over \$11,000,000, which is substantially in excess of the accumulated expenses of the Plan. These savings in interest added to the margin available for all debentures during a period of considerable uncertainty in the nation's and the Company's affairs.

On November 18, 1936 the Company notified holders of its fixed interest debentures of an offer whereby they could exchange their debentures for Associated Gas and Electric Company Sinking Fund Income Debentures due 1986. This issue is in many respects similar to the Sinking Fund Income Debentures due 1983 offered under the Plan of Rearrangement of Debt Capitalization. *The initial rate of interest on the Sinking Fund Income Debentures due 1986 is the same as the rate on the fixed interest debentures for which*

NUMBER OF CUSTOMERS

Associated Gas and Electric Company



they are exchangeable. These new debentures also make provision for the payment of additional interest at the rate of 1% per annum on any semi-annual interest date when, during any preceding interest period, interest has been paid on junior obligations of the Company. As interest was paid on these junior obligations, during the preceding interest period, the additional interest of 1% is therefore currently being paid on the Sinking Fund Income Debentures due 1936. An offer was also made to holders of Sinking Fund Income Debentures due 1933 whereby they could exchange their holdings for Sinking Fund Income Debentures due 1936.

RATE REDUCTIONS

The past several years have been marked by steady pressure for rate reductions. At first this pressure was caused by the example of declining commodity prices and the assumption that utility rates should also decline. By the time commodity prices began to rise, the utilities had become a political issue, and the pressure has continued. Rate reductions made effective during 1936 amounted to \$1,819,000, bringing the total over a five year period of present subsidiaries of Associated Gas and Electric Company to \$8,909,000 per year as follows:

	PER YEAR	
	Made During The Year	Cumulative
1936.....	\$1,819,000	\$8,909,000
1935.....	3,025,000	7,090,000
1934.....	1,132,000	4,065,000
1933.....	2,155,000	2,933,000
1932.....	778,000	778,000

While these reductions have meant a saving of \$8,909,000 per year to customers, it is also true that they have diminished the amount available for security holders below that which would represent a fair return on the capital invested, and have made it increasingly difficult to meet demands of employees for higher pay as living costs rise. The increase in use by customers and the accompanying increase in revenues which are believed by some to follow rate reductions do not occur automatically. They occur, if at all, only after expensive and aggressive campaigns have been conducted to encourage use of more gas or electricity at the new lower rates. Usually it is difficult enough to recover the former gross revenue. When more gas or electricity has been used, the total operating expenses, and often the fixed charges, are automatically increased.

This process results in a constant whittling down of net revenue per unit sold, especially in the case of residential business, where there has been greatest pressure for rate reductions. The tendency towards lower net is aggravated by increasing costs of operation—larger fuel and general production expense, higher wages, and heavier taxes.

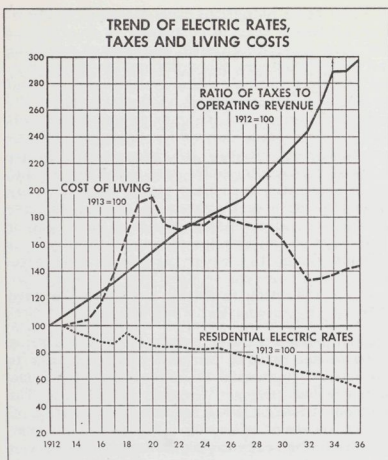
The pressure for rate reductions seems unreasonable when it is realized that the average family using Associated services pays only about 10 cents a day for electric service and 9 cents for gas service. This is less than the amount that tobacco or soft drinks take out of the average family budget.

COMPANIES ELIMINATED

The process of simplification of the corporate structure of the Associated System has been proceeding steadily since 1922, although notable progress has been made during the past five years. In all, 343 units have been merged, dissolved, rendered inactive, or otherwise disposed of. Numbers of companies eliminated each year have been as follows:

1922.....	2	1927.....	34	1932.....	27
1923.....	1	1928.....	19	1933.....	27
1924.....	18	1929.....	43	1934.....	15
1925.....	17	1930.....	19	1935.....	44
1926.....	33	1931.....	22	1936.....	22

This process of simplification is exemplified in New York State, where mergers recently completed have left only four subsidiaries engaged in the sale of electricity to the general public, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Staten Island Edison Corporation, and Patchogue Electric Light Company.



NEW CONSTRUCTION OF \$16,400,000

The financial problem facing the Company now is not so much the matter of refinancing maturing obligations as it is of raising funds to provide for new construction. If some of the restrictions on utility financing are not removed, it may be necessary to curtail sharply programs of new construction. Expenditures for new construction by present subsidiaries during recent years have been as follows:

1936	\$16,400,000
1935	11,300,000
1934	7,100,000
1933	5,700,000
1932	5,500,000

Rural electrification activities in 1936 resulted in the construction of 2,743 miles of line, bringing service to about 13,097 rural customers.

TAXES

In 1936 for the first time the effect of the Federal Unemployment Compensation Tax was felt. During 1937 this tax will be doubled, and there will be added to it the Federal Tax for Old Age Benefits. By 1949 these two taxes together will require a payment equal to approximately 6% of pay rolls.

Taxes on Associated Gas and Electric Company and subsidiaries in 1936 on the "Earning Power" basis amounted to \$12,880,657.11, compared with \$11,657,955.59 in 1935, an increase of 10.5%.

These total taxes were equivalent to \$657 per regular employee or to 39% of the total pay roll. They were equivalent to \$8.12 for each customer and to \$2.82 a share on the 4,570,279 shares of Class A stock of the Company outstanding at December 31, 1936. For the year ended December 31, 1929, taxes were equivalent to only \$1.13 per share of Class A stock then outstanding.

The contribution to the cost of government which Associated companies have been required to make has increased rapidly in recent years, as the following table indicates:

1932	\$ 8,300,000
1933	9,365,000
1934	10,854,000
1935	11,658,000
1936	12,881,000
1937*	15,462,000

* 12 months ended September 30th.

An increase of 86% in taxes was recorded between 1932 and September 1937. In the 12 months ended September 30, 1937 alone the increase over the previous similar period was 34%.

More than 40 different kinds of taxes are levied upon companies in the Associated System. There are in addition many fees, duties, and levies paid to regulatory bodies.

The inability of utilities to continue to reduce rates and at the same time bear constantly heavier burdens of taxation was pointed out in June, 1937, by Honorable Milo R. Maltbie, chairman of the New York Public Service Commission, in the Kings County Lighting Company case. Mr. Maltbie quoted an opinion of the Commission in 1934, indicating that the inconsistency of such conflicting demands was evident even then:

"These two trends are inevitably in conflict. When the cost of rendering service is increased by new or additional taxes or by legislation, municipal, State, or Federal, which increases the cost of service, the Commission is obliged to recognize such increased costs, except so far as it may find a just basis for requiring them to be borne by the stockholders alone. It is obvious, however, that this possibility is of limited application and does not apply to most of the increased costs of which we are speaking.

"It is impossible for the Commission to reduce rates to the extent that it would be possible if these increased burdens had not been imposed; and where the rates were reasonable prior to the imposition of such burdens, this Commission will be forced to recognize the justness of the companies' claims for increased rates."

Mr. Maltbie added: "We have now" (June, 1937) "reached the state which was then foretold."

SUMMARY

The constructive accomplishments since the depth of depression in 1932 have been substantial:

More than \$200,000,000 of Debentures have been exchanged under the Plan of Rearrangement of Debt Capitalization, thereby resulting in important savings in annual fixed interest charges.

All bonds, debentures, notes, loans, or other evidences of indebtedness having a fixed date of maturity, which reached such date during the period have been either paid or refinanced. Four subsidiaries have been reorganized under Section 77-B of the National Bankruptcy Act.

A serious and expensive lawsuit referred to on page five has been settled.

During the period, 135 companies have been eliminated from the Associated Gas & Electric System. This reduction is offset to some extent by acquisitions not yet merged or consolidated and by the formation of new companies as a necessary part of the process of simplification.

The Company's operating system has been strengthened and its integration promoted by the acquisition of important properties in five

Southern States and in Pennsylvania, Delaware, and Maryland.

As the result of the successful culmination of this program, the Company weathered the storm of depression and is in a better position today than it has been for several years to take advantage of improved business conditions.

Many evidences of sympathetic appreciation by the security holders of the problems of the Company have been a source of gratification to the Management. It will continue to be the purpose of the Management to deal intelligently and fairly with the public served, the employees, and the security holders.

The annual meeting of stockholders was recessed to reconvene at the office of the Company, Ithaca, New York on November 16, 1937. Proxies have been received from more than 66,000 stockholders representing over 81% of the voting power of the stock outstanding.

Respectfully submitted,

For the Board of Directors,

J. I. MANGE,
President.

October 22, 1937.

Geographical Distribution of Registered and Coupon Security Holders

of

ASSOCIATED GAS AND ELECTRIC COMPANY

and

ASSOCIATED GAS AND ELECTRIC CORPORATION

As of June, 1937

	<i>Associated Gas and Electric Company</i>	<i>Associated Gas and Electric Corporation</i>		<i>Associated Gas and Electric Company</i>	<i>Associated Gas and Electric Corporation</i>
Alabama	102	82	Nevada	35	16
Arizona	53	20	New Hampshire	1,767	327
Arkansas	212	241	New Jersey	6,834	3,357
California	6,436	4,652	New Mexico	32	22
Colorado	894	256	New York	54,393	23,731
Connecticut	2,150	646	North Carolina	210	62
Delaware	250	181	North Dakota	62	49
District of Columbia.....	594	274	Ohio	1,399	1,037
Florida	928	738	Oklahoma	287	163
Georgia	347	97	Oregon	366	293
Idaho	55	35	Pennsylvania	32,499	16,211
Illinois	8,218	3,986	Rhode Island	1,660	437
Indiana	924	887	South Carolina	589	466
Iowa	571	721	South Dakota	502	148
Kansas	105	144	Tennessee	659	416
Kentucky	2,086	1,097	Texas	877	526
Louisiana	385	824	Utah	156	23
Maine	1,127	731	Vermont	286	153
Maryland	1,303	704	Virginia	410	148
Massachusetts	9,268	4,719	Washington	1,531	413
Michigan	1,313	1,266	West Virginia	245	87
Minnesota	1,266	607	Wisconsin	1,977	1,970
Mississippi	41	29	Wyoming	98	23
Missouri	1,047	1,160	Total United States.....	147,038	74,619
Montana	118	87	U. S. Possessions and Foreign.....	12,312	3,249
Nebraska	371	357	Grand Total	159,350	77,868

Chart of Ownership—Public Utility Companies

Showing Percentage of Voting Stock Ownership

Companies shown in italics have no securities outstanding with the public.

ASSOCIATED GAS AND ELECTRIC COMPANY

ASSOCIATED GAS AND ELECTRIC CORPORATION 100%

ASSOCIATED ELECTRIC COMPANY.....100%

<i>Central U. S. Utilities Company</i>	100%
<i>Indiana Gas Utilities Company</i>	100%
<i>Kentucky-Tennessee Light and Power Co.</i>	100%
<i>Lake Shore Gas Company, The</i>	100%
<i>Manila Electric Company</i>	100%
<i>Ohio-Midland Light and Power Co.</i>	99.5%
Common and Preferred voting.....	99.5%
<i>Union Gas & Electric Company</i>	100%
<i>West Virginia Light, Heat and Power Co.</i>	100%
Common and Preferred voting.....	99.9%
<i>Pennsylvania Electric Company</i>	100%
<i>Clarion River Power Company, The</i>	100%
<i>†Erie Lighting Company</i>	100%

<i>Johnstown Fuel Supply Company</i>	100%
<i>Arizona General Utilities Company</i>	100%
<i>Arkansas General Utilities Company</i>	100%
<i>Associated Maryland Elec. Power Corp.</i>	700%
<i>Hopkinsville Water Company</i>	100%
<i>Insular Light and Power Corporation</i>	100%
<i>Escudero Electric Service Company</i>	100%
<i>Logosote Water Company</i>	100%
<i>Louisiana Public Utilities Co., Inc.</i>	100%
<i>Missouri General Utilities Company</i>	100%
<i>Missouri Southern Public Service Company</i>	100%
<i>New Matamoras Electric Company, The</i>	100%
<i>Ohio River Power Company</i>	100%
<i>Owensboro Gas Company</i>	100%
<i>Panhandle Public Service Company</i>	100%
<i>Pensacola Water Company</i>	100%
<i>Pennsylvania Investing Corporation</i>	100%
<i>Glendon Water Company</i>	100%
<i>Portsmouth Gas Company, The</i>	100%
<i>Rising Sun Water & Light Company</i>	100%
<i>Snow Falls Gas Company</i>	100%
<i>Solar Electric Company</i>	100%
<i>Texas General Utilities Company</i>	100%
<i>Tucumcari Light and Power Company</i>	100%
<i>Twin City Light and Power Company</i>	100%
<i>Youghiogheny Hydro-Electric Corporation</i>	100%

NY PA NJ UTILITIES COMPANY.....100%

<i>Canada Power Corporation</i>	100%
<i>Keystone Public Service Company</i>	100%
<i>Citizens Transit Company</i>	100%
<i>Long Island Water Corporation</i>	100%
<i>Metropolitan Edison Company</i>	100%
<i>New Jersey Power & Light Company</i>	100%
<i>New York State Electric & Gas Corp.</i>	100%
<i>Staten Island Edison Corporation</i>	100%
<i>Uesego Gas Corporation</i>	100%
<i>Patchogue Electric Light Company, The</i>	100%
<i>†Northern Pennsylvania Power Company</i>	100%
<i>Waverly Electric Light and Power Co.</i>	100%
<i>Pennsylvania Edison Company</i>	100%
<i>Rochester Gas and Electric Corporation</i>	100%
<i>Ownership of VTC</i>	100%
<i>Tracy Development Company</i>	100%
<i>York Railways Company</i>	100%
Common and Preferred voting.....	94.1%
<i>Edison Light & Power Company</i>	100%
<i>York Bus Company</i>	100%
<i>Tork Steam Heating Company</i>	100%
<i>Glen Rock Electric Light and Power Co.</i>	100%
<i>Granville Electric Company</i>	100%
<i>Litchfield Electric Light and Power Co.</i>	100%
<i>Maryland Public Service Company, The</i>	100%
<i>Spring Brook Water Company</i>	100%
<i>Ownership of Indebtedness of Associated Electric Companies:</i>	
<i>Caldonia Natural Gas Company</i>	100%
<i>Morton Power Co., Inc.</i>	100%
<i>Smyrna Telephone Company, Inc.</i>	100%
<i>Tri-County Natural Gas Company</i>	100%

This chart does not include non-utility or inactive companies.

The ownership of the management, engineering and purchasing companies is vested in the operating companies, by virtue of the ownership by the operating companies of the common stock of Utilities Mutual Management Association, Inc.

† The Federal Power Commission has approved applications to have the assets of these corporations acquired by other operating subsidiaries of Associated Gas and Electric Company. As soon as approvals of local Public Service Commissions are obtained or formalities complied with, these companies will be eliminated.

GENERAL GAS & ELECTRIC CORPORATION—Common and Preferred voting.....99.9%

<i>Southeastern Electric and Gas Company</i>	100%
<i>Florida Power Corporation</i>	100%
<i>Florida Public Service Company</i>	100%
Common voting.....	100%
Preferred voting.....	99.7%
<i>Georgia Power & Light Company</i>	100%
Common voting.....	100%
Preferred voting.....	None
<i>Lexington Water Power Company</i>	100%
<i>South Carolina Electric & Gas Company</i>	100%
Common voting.....	100%
Preferred voting.....	96.1%
<i>Tide Water Power Company</i>	100%
<i>Eastern Power Company</i>	100%
<i>Virginia Public Service Company</i>	100%
<i>Citizens Rapid Transit Corporation</i>	100%
<i>Eastern Shore Public Service Company(*)</i>	100%
<i>Maryland Light and Power Company</i>	100%
<i>Delmarva Power Company, The</i>	100%
<i>Eastern Shore Public Service Co., Md.</i>	100%
<i>Eastern Shore Public Service Co., Va.</i>	100%
<i>Dover (Del.) Gas Light Company, The</i>	100%
<i>Sanford Gas Company</i>	100%

(*) Includes 33 1/3% owned by Virginia Public Service Company.

UNITED COACH COMPANY, THE.....100%

<i>Reading Street Railway Company</i>	100%
<i>Schenectady Rapid Transit, Inc.</i>	100%
<i>Valley Public Service Company, The</i>	100%
<i>Ownership of Indebtedness of Associated Electric Companies:</i>	
<i>Richmond Railways, Inc.</i>	100%
<i>Staten Island Coach Company, Inc.</i>	100%
<i>Triple Cities Coach Company, Inc.</i>	100%
<i>Triple Cities Traction Corporation</i>	100%

This chart reflects the situation substantially as it existed on June 30, 1937.

The chart still includes numerous companies for the elimination of which definite plans exist. The program of simplification has by no means ended. However, but little further progress can be made for the present until the requisite consents are received from various regulatory bodies on applications still pending for the merger of some of the operating companies. There are also problems with respect to some of the holding companies, but the important obstacles to further simplification lie in ascertaining the desires of the respective Commissions and other public authorities, reconciling their differences and procuring the necessary legal authorizations.

ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES

ACCOUNTANTS' CERTIFICATE

CONSOLIDATED STATEMENTS

Consolidated Balance Sheet, December 31, 1936 (Exhibit A).

Capital Stocks of Associated Gas and Electric Company (Schedule 1).

Statement of Consolidated Income for the Year Ended December 31, 1936 (Exhibit B).

Statement of Consolidated Corporate and Capital Surplus for the Year Ended December 31, 1936 (Exhibit C).

PARENT COMPANY STATEMENTS

Balance Sheet, December 31, 1936 (Exhibit D).

Statement of Income for the Year Ended December 31, 1936 (Exhibit E).

Statement of Corporate and Capital Surplus for the Year Ended December 31, 1936 (Exhibit F).

ACCOUNTANTS' CERTIFICATE

Associated Gas and Electric Company:

We have made an examination of the balance sheet of Associated Gas and Electric Company and the consolidated balance sheet of the company and its subsidiaries as of December 31, 1936, and of the related statements of income and surplus for the year 1936. The consolidated statements include all subsidiaries regardless of voting trust agreements or other restrictions. In connection therewith, we made a review of the accounting methods and examined or tested accounting records of the companies, except certain subsidiaries which were examined by other independent accountants, and other supporting evidence in a manner and to the extent which we considered appropriate in view of the systems of internal accounting control.

As to the subsidiaries examined by other independent accountants, the amounts included in the accompanying consolidated statements are as shown by their reports except for minor reclassifications to conform to the general classifications used in consolidation. The book value of the assets of the companies examined by other accountants amounts to approximately 27% of the total consolidated assets at December 31, 1936, and the gross operating revenues of such companies amounts to approximately 30% of the consolidated operating revenue for the year 1936.

It is the accounting policy of the operating companies, in general, to make provision for retirements, renewals and replacements of fixed capital in amounts which when added to maintenance expenditures equal fixed percentages of gross operating revenues less gas or power purchased. In the major exceptions to the foregoing the provision is based on percentages of operating revenues without deduction for maintenance expenditures or is in amounts as determined by the management, which amounts have been in excess of the requirements of the bond indentures. The rates of provision were in some instances increased in 1936.

It has been the practice of certain subsidiaries to take up undistributed earnings of their subsidiaries or affiliates. The corporate surplus of Associated Gas and Electric Company includes credits for dividends and interest from such earnings. This practice was discontinued during the year, but the amounts previously taken up had not in all instances been distributed at December 31, 1936, by the companies wherein the earnings originated.

Debt discount and expense on bonds of Associated Gas and Electric Company has been charged to capital surplus. Had such charges been made against corporate rather than capital surplus it would not have affected the financial statements at December 31, 1936, because of the fact that the corporate deficit of the Company to December 31, 1935, was, in accordance with the approval of the stockholders, transferred to capital surplus. It is estimated that the amortization of debt discount and expense applicable to the year 1936 would have been approximately \$335,000. Interest paid by Associated Gas and Electric Company on convertible obligations in 1936 in the form of scrip, of which a portion was applicable to 1936, was also charged to capital surplus.

Amortization of debt discount and expense of subsidiaries as shown in the accompanying statements is, in general, based on debt discount and expense of the issuing companies. Net losses on sales of bonds of consolidated companies by other than the issuing companies, which losses from a consolidated viewpoint are tantamount in some instances to additional discount, were charged to capital surplus to December 31, 1933, and thereafter to corporate surplus. Credits for discount on bonds held intercorporately at less than par have been applied in consolidation either in reduction of unamortized debt discount and expense or as an addition to capital surplus. The charges made to capital surplus by subsidiaries for such losses (as well as the charges thereto by subsidiaries for debt discount, expense and premium on certain bonds no longer outstanding, and in the case of Eastern Utilities Investing Corporation a minor amount applicable to bonds still outstanding) are in consolidation substantially, if not entirely, offset at December 31, 1936, by credits for discount on bonds held intercorporately at less than par.

It is the practice to treat all profits or losses on investments in equity securities and provisions for depreciation of investments or reduction in book value thereof as capital surplus items.

The charges to capital surplus referred to in the two preceding paragraphs (in so far as made by subsidiaries) and other charges of subsidiaries made in prior periods against consolidated capital surplus, which may have been more properly chargeable to consolidated corporate surplus (the amount of which charges has not been determined), have tended to increase the uneliminated balance of investments in subsidiaries included in the consolidated balance sheet under fixed capital. However, in consolidation the balance of the capital surplus of Associated Gas and Electric Company reserved for contingencies (\$49,700,000) has been applied against investments in subsidiaries and together with capital surplus of the Company which was applied in prior periods to the reduction in carrying value of investments in subsidiaries offsets the effect upon fixed capital of the foregoing charges.

In our opinion, based on our examination and upon the reports of other accountants as to the companies whose accounts were not examined by us, and subject to the comments in the five preceding paragraphs and to the fact that we are not in a position to express an opinion as to the provisions for retirements, renewals and replacements of fixed capital, the accompanying balance sheets and related statements of income and surplus, with the foot-notes thereon, fairly present, upon the basis of the book value of investments, in accordance with accepted principles of accounting consistently followed by the companies, the financial condition of the company and of the company and subsidiaries consolidated, as of December 31, 1936, and the results of their operations for the year.

HASKINS & SELLS

New York,
August 13, 1937.

Associated Gas and Electric Company
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1936

ASSETS

FIXED CAPITAL:

Plant, property, equipment, etc. at estimated reproduction cost (shown in memorandum accounts in the case of two companies) including going value and other intangibles at various dates of revaluation (with relatively minor exceptions), plus subsequent additions at cost, less retirements (includes approximately \$6,296,000 reported as in process of or subject to retirement) and \$97,421,429.34 uneliminated balance of investments in subsidiaries	\$890,923,730.82
---	------------------

INVESTMENTS—AT COST OR COMPANIES' VALUATION:

In affiliated companies (including advances, open accounts, etc.)	\$42,166,191.82	
Other investments (the market value at December 31, 1936, of those securities for which market quotations are available was approximately \$11,241,000 as compared with carrying value of \$27,071,500, estimated in certain cases where securities are carried in group values) (\$2,584,500 principal amount of bonds pledged)	32,719,048.08	74,885,239.90

DEPOSITS FOR MATURED BONDS AND BOND INTEREST, ETC. (contra)	2,660,833.86
---	--------------

DEPOSITS FOR SINKING FUNDS, CONSTRUCTION, ETC.	2,054,369.91
---	--------------

DEPOSITS FOR REDEMPTION OF BONDS CALLED AND FOR PREMIUM AND ACCRUED INTEREST THEREON (contra)	10,216,479.05
---	---------------

CASH (including working funds)	8,225,797.13
--------------------------------------	--------------

NOTES AND ACCOUNTS RECEIVABLE:

Consumers	\$ 8,790,268.83	
Appliances (\$374,792.53 pledged as additional security for appliance accounts receivable sold)	2,120,051.14	
Miscellaneous (including \$140,004.56 due from employees) (\$45,000 pledged with trustee under funded debt indenture)	1,257,784.35	12,168,104.32

MATERIALS, SUPPLIES AND MERCHANDISE (book inventories)	6,337,022.78
--	--------------

APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra)	4,324,329.90
---	--------------

PREPAID EXPENSES	1,077,543.89
------------------------	--------------

UNAMORTIZED DEBT DISCOUNT AND EXPENSE	22,590,076.16
---	---------------

MISCELLANEOUS UNADJUSTED DEBITS (including balances in closed banks of \$155,865.74)	3,136,747.44
--	--------------

TOTAL	\$1,038,600,275.16
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SEE NOTES ON PAGE TWENTY-SIX WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT A

Associated Gas and Electric Company and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1936

LIABILITIES

CAPITAL STOCK AND SURPLUS (including capital surplus reserved for conversion of debentures):		
Capital stock of Associated Gas and Electric Company—Schedule 1	\$189,137,543.36	
Consolidated surplus:		
Capital surplus reserved for conversion of debentures	31,339,415.00	
Capital—Exhibit C	65,899,548.75	
Corporate—Exhibit C	11,842,656.08	
Total	\$298,219,163.19	
Less carrying value of stocks of Associated Gas and Electric Company held intercorporately	127,851,964.76	\$170,367,198.43
Capital stock, applicable surplus and accrued dividends unpaid of General Gas & Electric Corporation (\$20,859,983.96) and Eastern Utilities Investing Corporation (\$1,544,831.82) held by public (which to the extent of approximately \$18,215,000 is of equivalent rank to stocks of Associated Gas and Electric Company, obligations thereof convertible into stock at company's option, or scrip certificates for interest on convertible obligations)		22,404,815.78
Other subsidiary companies' capital stocks:		
Preferred	68,805,713.33	
Common and participating (including applicable surplus or deficit)	653,195.61	
Total capital stock and surplus		\$262,230,923.15
OBLIGATIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY CONVERTIBLE INTO STOCK AT COMPANY'S OPTION (\$49,500,967) AND OBLIGATIONS (INCLUDING MATURED AND ACCRUED INTEREST) OF SUBSIDIARY COMPANY OF EQUIVALENT RANK (\$908,959.99)		
		50,409,926.99
SCRIP CERTIFICATES FOR INTEREST ON CONVERTIBLE OBLIGATIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY		
		9,829,733.60
FUNDED DEBT AND INTEREST-BEARING SCRIP:		
Associated Gas and Electric Company (including \$42,569.51 due in 1937)	\$268,117,019.33	
Less fixed interest debentures deposited and held by escrow agents under Plan of Rearrangement of Debt Capitalization	201,102,240.00	
Remainder	\$ 67,014,779.33	
Subsidiary companies:		
Associated Gas and Electric Corporation	140,935,520.00	
Other subsidiary companies (including \$9,049,578 due in 1937)	374,807,872.70	582,758,172.03
BONDS CALLED FOR REDEMPTION (including accrued interest and premium thereon) (contra)		
		10,216,479.05
MATURED BONDS AND BOND INTEREST, ETC. (contra)		
		2,660,833.86
NOTES PAYABLE (includes \$4,622,185 covered by pledge of securities, including stocks and bonds of subsidiary companies eliminated in consolidation)		
		8,566,576.51
ACCOUNTS PAYABLE		
		5,548,287.45
TAXES ACCRUED		
		6,901,478.71
INTEREST AND MISCELLANEOUS ACCRUALS		
		8,801,226.77
CONSUMERS' SERVICE AND LINE DEPOSITS		
		5,747,815.93
GUARANTY OF APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra)		
		4,324,329.90
RESERVE FOR RETIREMENTS, RENEWALS AND REPLACEMENTS OF FIXED CAPITAL (including adjustments resulting from revaluation)		
		67,957,547.63
RESERVE FOR PRIOR YEARS' FEDERAL INCOME TAXES (subject to final determination)		
		3,939,939.12
RESERVE FOR DOUBTFUL ACCOUNTS RECEIVABLE		
		1,196,276.41
CONTRIBUTIONS FOR EXTENSIONS—NON-REFUNDABLE		
		2,697,650.23
MISCELLANEOUS RESERVES AND UNADJUSTED CREDITS (including \$605,695.91 accrued cumulative dividends not currently being paid on preferred stocks of subsidiaries)		
		4,813,077.82
TOTAL		<u>\$1,038,600,275.16</u>

SEE NOTES ON PAGE TWENTY-SIX WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT A

Associated Gas and Electric Company
and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME

For the year ended December 31, 1936

(Including companies acquired in 1936 from dates of acquisition only)

OPERATING REVENUES:			
Electric	\$92,767,745.36		
Gas	13,466,888.54		
Steam heating, water, ice, transportation, etc.....	9,575,712.56	\$115,810,346.46	
OPERATING EXPENSES AND MAINTENANCE:			
Operating expenses	\$9,500,057.83		
Maintenance	9,661,043.40	59,161,101.23	
BALANCE BEFORE TAXES AND PROVISION FOR RETIREMENTS.....		\$ 56,649,245.23	
PROVISION FOR TAXES (including Federal income taxes).....		12,508,493.98	
BALANCE BEFORE PROVISION FOR RETIREMENTS.....		\$ 44,140,751.25	
PROVISION FOR RETIREMENTS, RENEWALS AND REPLACEMENTS OF FIXED CAPITAL.....		9,311,349.05	
OPERATING INCOME		\$ 34,829,402.20	
OTHER INCOME:			
Interest, dividends, etc. (including \$616,495.77 income of a subsidiary arising from charges taken up by other subsidiaries in operating expenses).....	\$ 2,006,866.64		
Less: Non-operating expenses	241,405.85	1,765,460.79	
GROSS INCOME		\$ 36,594,862.99	
DEDUCTIONS FROM INCOME:			
Subsidiary companies:			
Operating utility and group companies:			
Interest on funded debt	\$17,862,686.39		
Interest on unfunded debt	1,144,006.13		
Less: Interest charged to construction (<i>credit</i>).....	67,381.95		
Amortization of debt discount and expense.....	1,373,150.78		
Dividends on preferred stocks paid or accrued.....	4,426,789.86		
Minority interest in net earnings.....	30,059.19	\$24,769,310.40	
Associated Gas and Electric Corporation:			
Interest on fixed interest debentures	\$ 2,418,322.08		
Interest on income debentures	3,575,315.11		
Amortization of debt discount and expense.....	63,423.27	6,057,060.46	
Associated Gas and Electric Company:			
Interest on fixed interest debentures	\$ 3,317,791.03		
Interest on income debentures	81,123.46		
Interest on interest-bearing scrip, etc.	36,504.01	3,435,418.50	34,261,789.36
BALANCE OF INCOME (see notes below).....		\$ 2,333,073.63	

SEE NOTES ON PAGE TWENTY-SIX WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT B

Associated Gas and Electric Company
and Subsidiary Companies

STATEMENT OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1936

	<i>Corporate Surplus</i>	<i>Capital Surplus</i>
BALANCE—JANUARY 1, 1936.....	\$ 7,339,550.81	\$12,495,023.57
Adjustment arising from change in consolidation treatment of investments of subsidiaries in Associated Gas and Electric Company capital stock (\$37,025,169.14) —(see note to consolidated balance sheet re capital stock), and from cancellation of exchanges of certain intercompany holdings of Associated Gas and Electric Company capital stock in 1935 (\$5,197,100.00).....		42,222,269.14
BALANCE—JANUARY 1, 1936 AS ADJUSTED.....	\$ 7,339,550.81	\$54,717,292.71
ADDITIONS:		
Balance of income for the year—Exhibit B.....	2,333,073.63	
Surplus arising as a result of the inclusion in consolidation of non-utility subsidiaries not previously consolidated.....	2,785,841.14	17,900,485.74
Reversal of accrued but unpaid dividends on subsidiaries' preferred stocks reacquired.....	614,981.60	
Adjustment of minority interest in surplus of subsidiaries.....	10,452.80	1,922,151.97
Adjustment of fixed capital suspense, etc., charged to capital surplus in prior years.....		1,019,270.90
Discount on reacquired bonds and debentures of subsidiary companies and profit on sales.....	1,186,708.33	
Discount on reacquisition and exchange of securities of Associated Gas and Electric Company.....		4,145,269.33
Miscellaneous.....	745,687.10	270,026.72
Total.....	\$14,995,389.81	\$79,974,497.37
DEDUCTIONS:		
Expenses of Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company (\$799,140.66) and other out-of-the-ordinary expenses in connection with various investigations, legal cases, etc. (\$1,034,985.76).....	\$ 1,834,126.42	
Interest on obligations of Associated Gas and Electric Company convertible into stock at company's option:		
Paid in scrip (\$2,555,278.94 applicable to 1936).....		\$ 9,953,638.70
Accrued but not due at December 31, 1936.....	287,017.58	
Interest on scrip certificates for interest on convertible obligations of Associated Gas and Electric Company.....	32,467.29	
Additional amount of surplus eliminated against intercompany investments in stocks.....	28,443.95	1,548,437.36
Surplus of non-utility subsidiary, transferred to reserve.....	718,913.86	
Capital stocks of Associated Gas and Electric Company reacquired and/or retired (including former intercompany holdings at liquidation value of \$424,300).....		770,130.84
Reversal of accrual in prior years of interest receivable on income notes of affiliated company.....	103,263.59	
Reduction in carrying value of investment in an affiliated company due to inter-company sale.....		294,240.00
Adjustment of excess reproduction cost of fixed capital, and excess reproduction cost of property retired or sold (net).....		1,334,395.99
Miscellaneous.....	148,501.04	174,105.73
Total.....	\$ 3,152,733.73	\$14,074,948.62
BALANCE—DECEMBER 31, 1936.....	\$11,842,656.08	\$65,899,548.75

SEE NOTES ON PAGE TWENTY-SIX WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT C

Associated Gas and Electric Company

BALANCE SHEET

December 31, 1936

ASSETS

INVESTMENTS IN SUBSIDIARIES:

Associated Gas and Electric Corporation—6,710,000 shares of \$1.00 par value each, common stock (entire issue) at company's valuation..... \$361,309,810.00

Eastern Utilities Investing Corporation—at company's valuation:
Class B common (voting) stock—50,000 shares—entire issue..... 25,000.00
Other stocks..... 688,344.03

Notes receivable:

Associated Gas and Electric Corporation (subordinate to all other indebtedness of the corporation):
5% income note, due December 1, 1980..... 71,803,220.00
Non-interest-bearing note, due December 1, 1983..... 10,000,000.00

Accounts receivable:

Associated Gas and Electric Corporation..... 1,064,965.55
Eastern Utilities Investing Corporation..... 400.00 **\$444,891,739.58**

DUE FROM ASSOCIATED GAS AND ELECTRIC SECURITIES COMPANY, INC. (DEL.)—RECEIVABLE IN SECURITIES OF ASSOCIATED GAS AND ELECTRIC COMPANY UNDER EXCHANGE OFFER..... 51,500.00

DEPOSITS FOR MATURED INTEREST AND DIVIDENDS PAYABLE, ETC..... 189,021.37

CASH..... 1,358.30

MISCELLANEOUS UNADJUSTED DEBITS..... 7,412.95

CONTRA TO LIABILITY FOR ASSUMPTION OF BONDS OF SUBSIDIARY COMPANY, DUE 1953, INCLUDED IN FUNDED DEBT..... 1,000,000.00

TOTAL..... \$446,141,032.20

LIABILITIES

CAPITAL STOCK (INCLUDING STOCK TO BE ISSUED) AND SURPLUS (including capital surplus reserved for conversion of debentures and for other contingencies):

Stated capital..... \$189,137,543.36*

Surplus:

Capital surplus reserved for conversion of debentures (\$31,339,415) and for other contingencies (\$49,700,000)..... 81,039,415.00

Capital—Exhibit F..... 25,244,282.99

Corporate (deficit) (since January 1, 1936)—Exhibit F..... 1,380,640.09 **\$294,040,601.26**

OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION (less \$7,700 in treasury)..... 68,303,167.00

SCRIP CERTIFICATES FOR INTEREST ON CONVERTIBLE OBLIGATIONS..... 10,699,941.35

FUNDED DEBT:

Fixed interest debentures (less \$136,350 in treasury)..... \$266,429,980.00

Less fixed interest debentures deposited with and held by escrow agents under the Plan of Rearrangement of Debt Capitalization..... 201,102,240.00

Remainder..... \$ 65,327,740.00

Sinking fund income debentures (less \$831,605 in treasury)..... 4,829,390.00

Income debentures (less \$10,000 in treasury)..... 24,600.00

7% Interest-bearing scrip (including interest accrued to December 31, 1936, payable at maturity of scrip):

Due in 1938 (less \$1,376.54 in treasury)..... \$616,659.82

Due in 1937 (less \$86.25 in treasury)..... 42,569.51 659,229.33 **70,840,959.33**

MATURED BOND INTEREST (UNPRESENTED COUPONS), UNPRESENTED DIVIDEND CHECKS, ETC..... 189,137.27

TAXES ACCRUED..... 65,870.63

INTEREST ACCRUED..... 1,435,404.45

RESERVE FOR TAXES (including Federal income taxes subject to final determination)..... 466,736.84

MISCELLANEOUS RESERVES..... 99,214.07

TOTAL..... \$446,141,032.20

SEE NOTES ON PAGES TWENTY-SIX AND TWENTY-SEVEN WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT D

Associated Gas and Electric Company

STATEMENT OF INCOME

For the year ended December 31, 1936

INCOME:

From subsidiary company—Associated Gas and Electric Corporation:

Dividends	\$ 799,140.66	
Interest on note	2,613,433.98	\$3,412,574.64

PROVISION FOR TAXES	115,772.15
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BALANCE OF INCOME BEFORE INTEREST AND \$799,140.66 EXPENSES OF PLAN OF REARRANGEMENT OF DEBT CAPITALIZATION	\$3,296,802.49
---	----------------

INTEREST ON FIXED INTEREST DEBENTURES, INCOME DEBENTURES AND SINKING FUND

INCOME DEBENTURES	\$3,467,452.82
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INTEREST ON 7% INTEREST-BEARING SCRIP AND UNFUNDED DEBT	39,443.95	3,506,896.77
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LOSS, EXCLUSIVE OF EXPENSES OF PLAN OF REARRANGEMENT OF DEBT CAPITALIZATION (\$799,140.66), INTEREST ON OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION (\$3,059,462.33), AND INTEREST ON SCRIP CERTIFICATES FOR INTEREST ON CONVERTIBLE OBLIGATIONS (\$37,698.63), WHICH WERE CHARGED TO SURPLUS	\$ 210,094.28
--	---------------

SEE NOTE ON PAGE TWENTY-SEVEN WHICH IS AN INTEGRAL PART OF THE ABOVE STATEMENT.

Associated Gas and Electric Company

STATEMENT OF CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1936

	Corporate Surplus	Capital Surplus
BALANCE, JANUARY 1, 1936.....	—	\$35,835,144.37
ADDITIONS:		
Discount on acquisitions and exchanges of company's debentures, etc.....		2,705,168.80
Profit on intercompany sale of bonds of subsidiary.....		605,635.65
Dividends received from Associated Gas and Electric Corporation, paid out of capital surplus.....		2,800,000.00
Adjustment of interest and dividends applicable to prior periods.....	\$ 40,242.42	
Miscellaneous		1,853.41
Total	\$ 40,242.42	\$41,947,802.23
DEDUCTIONS:		
Loss for the year—Exhibit E.....	\$ 210,094.28	
Expenses of Plan of Rearrangement of Debt Capitalization.....	799,140.66	
Interest on obligations convertible into stock at company's option:		
Paid in scrip (\$2,744,598.24 applicable to 1936).....		\$10,710,916.20
Accrued but not due at December 31, 1936.....	314,864.09	
Interest on scrip certificates for interest on convertible obligations.....	37,698.63	
Reduction in carrying value of investment in common stock of Associated Gas and Electric Corporation equivalent to dividends received from it out of capital surplus		2,800,000.00
Cancellation of exchange of securities in 1935 between the company and a subsidiary		2,826,020.00
Capital stock reacquired and/or retired.....		345,830.84
Miscellaneous	59,084.85	20,752.20
Total	\$1,420,882.51	\$16,703,519.24
BALANCE, DECEMBER 31, 1936.....	<u>\$1,380,640.09*</u>	<u>\$25,244,282.99</u>

* Corporate deficit since January 1, 1936.

SEE NOTES ON PAGE TWENTY-SEVEN WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT F

Associated Gas and Electric Company
and Subsidiary Companies

CAPITAL STOCKS OF ASSOCIATED GAS AND ELECTRIC COMPANY

December 31, 1936

<i>Description</i>	<i>Dates to which accumulative dividends have been paid</i>	<i>Number of shares outstanding with public</i>
*Cumulative preferred stock (without par value):		
Original series	Oct. 1, 1932	38,783
\$5.00 dividend series (including 31 shares to be issued, less 148,267 shares in treasury)	June 15, 1932	80,813
\$5.50 dividend series	"	246
\$6.00 dividend series (including 244 shares to be issued, less 3 shares in treasury)	June 1, 1932	131,298
\$6.50 dividend series (including 40 shares to be issued)	"	62,071
\$7.00 dividend series (including 8 shares to be issued)	Oct. 1, 1932	98,588
*Cumulative preference stock (without par value):		
\$4.00 cumulative preference (less 8,423 shares in treasury)	May 1, 1932	41,876
\$5.00 cumulative preference	None paid	75
\$5.50 cumulative preference	June 15, 1932	11,985
\$6.00 cumulative preference (including 6 shares to be issued)	Apr. 1, 1932	4,432
\$6.50 cumulative preference (including 5 shares to be issued)	"	6,807
Class A stock—par value \$1.00 a share (preferred as to assets—after liquidation of preferred and preference stocks—up to \$35.00 a share, plus one-half of the remaining assets after class B and common stocks have received in the aggregate an amount equal to \$35.00 a share on the class A stock), less 1,494,290 shares in treasury		14,570,279
Class B stock—par value \$1.00 a share (preferred as to assets—after liquidation of preferred and preference stocks and distribution of \$35.00 a share to holders of class A stock—to \$35.00 a share, but not to exceed in the aggregate an amount equal to \$35.00 a share on the outstanding class A stock)		607,953
Common stock—par value \$1.00 a share (less 644,354 shares in treasury)		1,106,318
Optional stock purchase warrants		6,038,691.5 wts.
New optional stock purchase warrants		5,025,975 wts.
Warrants on Associated Gas and Electric Corporation 8% bonds, due 1940, for purchase of 85,732.9 shares of Associated Gas and Electric Company common stock		—

SEE NOTES ON PAGE TWENTY-SEVEN WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

SCHEDULE I

Associated Gas and Electric Company and Subsidiary Companies

NOTES TO CONSOLIDATED BALANCE SHEET (Pages Eighteen and Nineteen)

- The fixed capital and investments as shown above are a consolidation of the amounts shown by the books of the parent and subsidiaries and do not purport to represent realizable values or an appraisal at the date of the balance sheet.
- Debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation on bonds still outstanding has been charged to capital surplus.
- Certain securities of subsidiary companies and accounts receivable from subsidiary companies which eliminate in the above statement are pledged as collateral to notes payable and funded debt or deposited under escrow or other agreements.
- The capital stock of Associated Gas and Electric Company includes \$6,374,537 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks. The amount shown for capital stock of Associated Gas and Electric Company includes stock held by subsidiaries which is deducted at carrying value from the aggregate of the capital stock of the company and consolidated surplus. At December 31, 1935, the amount shown for capital stock of Associated Gas and Electric Company was after elimination of intercompany holdings at the value to which entitled in liquidation (\$86,733,831), the difference between such value and the carrying value being eliminated from consolidated capital surplus.
- At December 31, 1936, undeclared cumulative dividends on preferred and preference stocks of Associated Gas and Electric Company (including stock issuable for obligations called for conversion) amounted to \$11,791,848.75.
- Notices of assessments for Federal income taxes with penalties and interest for the years 1927 to 1933, inclusive, and excess profits taxes for the year 1933, aggregating \$50,962,163.71, with demands for immediate payment and notice of tax liens, addressed to Associated Gas and Electric Company and/or the company and its subsidiaries, have been served on the company. These assessments are being contested and in the opinion of the companies' tax counsel, there is no liability for additional taxes. Petitions for the years 1929 and 1930 have been filed with the Board of Tax Appeals claiming refund of overpayment for 1929 and showing no tax due for 1930. Petitions for the other years are in course of preparation. In addition, assertions of approximately \$6,060,000 (which are being contested) have been made against subsidiary companies, and Associated Gas and Electric Company may have a liability in connection with assessments against affiliated companies.
- In April, 1937, claims for counsel fees and disbursements in connection with the reorganization proceedings, aggregating \$875,000, were filed with Hon. Julian W. Mack, United States Circuit Judge, on behalf of attorneys and counsel for petitioning creditors and the General Protective Committee and its counsel. These claims are to be passed upon by Judge Mack. The company is opposing allowances in the amounts claimed, as exorbitant. No provision for such claims has been made in the consolidated balance sheet.
- The consolidated balance sheet does not give effect to the sale to the public during the latter part of 1936 of \$13,906,500 principal amount of 4% first mortgage bonds of a subsidiary company which were not issued and delivered until January, 1937. Pending issue of these bonds, the proceeds of sale were temporarily deposited against interim certificates.
- Interest was past due on \$736,000 principal amount of bonds of Eastern Utilities Investing Corporation held by public. Provision has been made, however, in the statements for the interest accrued to December 31, 1936.
- The above statement includes Utilities Employees Securities Company and its subsidiary which were not consolidated in prior years. The companies had investments at December 31, 1936, in funded debt securities of Associated Gas and Electric Company and its subsidiaries of \$31,106,930.25 principal amount, obligations of Associated Gas and Electric Company convertible into stocks at that company's option of \$138,500 principal amount, and in preferred stocks of subsidiaries of the Associated Gas and Electric Company of \$329,100 par or stated value.

NOTES TO STATEMENT OF CONSOLIDATED INCOME (Page Twenty)

- The above statement does not include (1) expenses in connection with Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company, \$799,140.66, (2) out-of-the-ordinary expenses in connection with various investigations, legal cases, etc. (charged to operating or non-operating expenses by subsidiaries), \$1,034,985.76, (3) interest on obligations of Associated Gas and Electric Company (payable only as declared) convertible into stock at company's option, \$2,842,296.52, and (4) interest on scrip certificates for interest on convertible obligations of Associated Gas and Electric Company, \$32,467.29. These charges of \$4,708,890.23 are shown in consolidated surplus.
- Debt discount and expense applicable to bonds of Associated Gas and Electric Company and Eastern Utilities Investing Corporation still outstanding was charged to capital surplus in prior years and no charge for amortization thereof has been made against income in 1936.
- The above statement includes net income of \$951,484.64 attributable to Utilities Employees Securities Company and its subsidiary, which were not consolidated prior to 1936.

NOTES TO STATEMENT OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS (Page Twenty-one)

- The corporate deficit of Associated Gas and Electric Company to December 31, 1935, was transferred to capital surplus prior to January 1, 1936.
- The above statement of corporate surplus does not include any charge for amortization of debt discount and expense of Associated Gas and Electric Company and Eastern Utilities Investing Corporation; all such discount and expense has been charged to capital surplus in prior years.
- See note to consolidated balance sheet regarding cumulative dividends in arrears for which no provision has been made above.

NOTES TO PARENT COMPANY BALANCE SHEET (Page Twenty-two)

- The investments are as shown by the books and do not purport to represent realizable values or an appraisal at the date of the balance sheet.
- * Includes \$6,375,537 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks.

Associated Gas and Electric Company and Subsidiary Companies

NOTES TO PARENT COMPANY BALANCE SHEET (Page Twenty-two) — Continued

At December 31, 1936, undeclared cumulative dividends on preferred and preference stocks (including stock issuable for obligations called for conversion) held by the public amounted to \$11,791,848.75. In addition, undeclared cumulative dividends on such securities held by subsidiary companies amounted to \$28,821,736.85.

The company has a contingent liability in connection with a joint agreement to indemnify another corporation for any loss sustained through its guarantee of principal and interest on joint and refunding mortgage 5% bonds of Empire Gas and Electric Company and Empire Coke Company (principal amount \$4,543,000, due in 1941, of which \$14,000 are held in treasury of Empire Gas and Electric Company and \$1,860,000 pledged with trustee as collateral to Empire Gas and Electric Company's general and refunding mortgage bonds 6% series A, due 1952) and of dividends on Empire Gas and Electric Company's series A 6% cumulative preferred stock. There was no interest on the bonds or dividends on the stock (in hands of public) due and unpaid at December 31, 1936. The company also has a contingent liability as guarantor of interest up to 8% per annum on \$2,552,840 principal amount of income bonds of Utilities Employees Securities Company (an indirect subsidiary) issued to employees of companies in the Associated Gas & Electric System. There was no interest due and unpaid on these bonds at December 31, 1936.

Notices of assessments for Federal income taxes with penalties and interest for the years 1927 to 1933, inclusive, and excess profits taxes for the year 1933, aggregating \$50,962,163.71, with demands for immediate payment and notice of tax liens, addressed to Associated Gas and Electric Company and/or the company and its subsidiaries, have been served on the company. These assessments are being contested and in the opinion of the company's tax counsel, there is no liability for additional taxes. Petitions for the years 1929 and 1930 have been filed with the Board of Tax Appeals claiming refund of overpayment for 1929 and showing no tax due for 1930. Petitions for the other years are in course of preparation. Additional claims for Federal taxes, which are being contested, have been asserted or assessed against subsidiary and affiliated companies, for which some liability may exist against Associated Gas and Electric Company, if sustained.

In April, 1937, claims for counsel fees and disbursements in connection with the reorganization proceedings, aggregating \$875,000, were filed with Hon. Julian W. Mack, United States Circuit Judge, on behalf of attorneys and counsel for petitioning creditors and the General Protective Committee and its counsel. These claims are to be passed upon by Judge Mack. The company is opposing allowances in the amounts claimed, as exorbitant. No provision for such claims has been made in the above balance sheet.

NOTE TO PARENT COMPANY STATEMENT OF INCOME (Page Twenty-three)

No provision has been made in the above statement for amortization of debt discount and expense. All such discount and expense has been charged to capital surplus.

NOTES TO PARENT COMPANY STATEMENT OF CORPORATE AND CAPITAL SURPLUS (Page Twenty-four)

All debt discount and expense has been charged to capital surplus.

See note to balance sheet regarding dividends in arrears for which no provision has been made above.

NOTES TO STATEMENT OF CAPITAL STOCKS OF ASSOCIATED GAS AND ELECTRIC COMPANY (Page Twenty-five)

* Includes shares represented by \$6,374,537 unsurrendered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks, as follows: cumulative preferred, \$5.00 dividend series, 8,920 shares; \$5.50 dividend series, 86 shares; \$6.00 dividend series, 47,064 shares; \$6.50 dividend series, 3,044 shares; \$7.00 dividend series, 2,971 shares; and 1,671 shares of \$6.00 cumulative preference.

† Includes 10,726 shares represented by transferable subscription receipts; 65,317 shares represented by 6% convertible debenture certificates for class A stock; and 774 shares represented by class A receipts for 6% convertible debenture certificates, series C.

The cumulative preferred stock is preferred as to assets, in the event of liquidation, up to \$100.00 a share, plus any unpaid cumulative dividends, except in the case of the original series preferred stock which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

After the liquidation of the preferred stocks the cumulative preference stock is preferred as to assets up to \$100.00 a share, plus any unpaid cumulative dividends, except in the case of the \$4.00 cumulative preference stock which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

For statement purposes, the cost of treasury stock has been charged to capital surplus.

Stocks of Associated Gas and Electric Company held by companies included in the consolidation and which eliminate above are as follows: cumulative preferred, \$5.00 dividend series, 127,171 shares; \$6.00 dividend series, 10 shares; \$4.00 cumulative preference, 769,046 shares; \$6.00 cumulative preference, 367,799 shares; \$6.50 cumulative preference, 7,435 shares; due bills for 28,130 shares \$6.50 cumulative preference; and class A, 15 shares.

There is no separate stated value assigned to the various classes of capital stock on the books of Associated Gas and Electric Company. The stated value for all of the stocks is \$189,137,543.36. The stocks held intercorporate have a preference value in liquidation of \$91,506,800 and are deducted in the consolidated balance sheet from the aggregate of the stated value for capital stock of the company and the consolidated corporate and capital surplus, at their carrying value of \$127,851,964.76.

COMPANY NOTE NOT A PART OF ACCOUNTANT'S REPORT

A petition was recently filed with the U. S. Board of Tax Appeals for the year 1931, showing no tax due for that year.

Associated Gas and Electric Company
and Subsidiary Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1932 to 1936, inclusive

	ASSETS SIDE				
	1936	1935	1934	1933	1932
FIXED CAPITAL	\$ 890,923,730.82	\$ 867,440,853.75	\$742,698,589.42	\$746,504,548.27	\$769,431,677.26
INVESTMENTS	74,885,239.90	75,519,197.10	70,480,072.91	71,440,425.88	73,230,375.24
DEPOSITS FOR MATURED BONDS, AND BOND INTEREST, ETC. (contra)	2,660,833.86	3,775,008.82	1,348,778.07	802,759.92	648,655.90
DEPOSITS FOR SINKING FUNDS, ETC.	2,054,369.91	2,324,342.33	538,047.22	505,980.51	324,433.12
DEPOSITS FOR BONDS CALLED.....	10,216,479.05	15,839,546.00	—	—	—
CASH AND TIME DEPOSITS	8,225,797.13	6,016,503.19	7,458,442.37	7,065,586.46	7,946,953.88
NOTES AND ACCOUNTS RECEIV- ABLE	12,168,104.32	12,448,292.36	9,819,612.55	10,324,870.18	11,190,018.50
MATERIALS, SUPPLIES AND MER- CHANDISE	6,337,022.78	5,915,298.65	4,236,756.65	3,855,291.27	4,277,342.10
APPLIANCE ACCOUNTS RECEIV- ABLE SOLD (contra).....	4,324,329.90	2,047,173.56	—	—	—
PREPAID EXPENSES	1,077,543.89	454,913.50	374,866.39	448,547.18	557,620.92
UNAMORTIZED DEBT DISCOUNT AND EXPENSE	22,590,076.16	22,571,147.63	7,938,790.46	9,592,769.17	—
MISCELLANEOUS UNADJUSTED					
DEBITS	3,136,747.44	2,352,794.00	1,198,600.25	1,209,019.21	919,484.36
Total Assets Side	<u>\$1,038,600,275.16</u>	<u>\$1,016,705,070.89</u>	<u>\$846,092,556.29</u>	<u>\$851,749,798.05</u>	<u>\$868,526,561.28</u>

NOTE:

The above statement is based on published balance sheets as of the respective dates, which have not been adjusted to be strictly comparable.

Associated Gas and Electric Company and Subsidiary Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1932 to 1936, inclusive

LIABILITIES SIDE AND CAPITAL

	1936	1935	1934	1933	1932
CAPITAL STOCK AND SURPLUS (including surplus reserved for conversions and other contingencies):					
Associated Gas and Electric Company	\$ 170,367,198.43	\$ 169,677,053.14	\$172,438,383.29	\$154,448,278.90	\$124,988,639.99
Stocks, the majority of which are of equal rank with stocks of Company	22,404,815.78	24,649,501.87	24,150,004.57	31,008,527.51	36,281,486.25
Subsidiary companies:					
Preferred stocks	68,805,713.33	66,084,518.33	33,342,323.33	35,091,933.33	36,541,871.67
Common stocks, including applicable surplus	653,195.61	309,651.02	325,172.34	63,982.72	275,316.83
Total Capital Stock and Surplus	\$ 262,230,923.15	\$ 260,720,724.36	\$230,255,883.53	\$220,612,722.46	\$198,087,314.74
Obligations convertible into stock at Company's option and obligations of equivalent rank ..	\$ 50,409,926.99	\$ 51,821,783.00	\$ 52,843,234.00	\$ 63,030,048.00	\$ 68,780,077.32
Scrip certificates for interest on convertible obligations	9,829,733.60	—	—	—	—
FUNDED DEBT:					
Associated Gas and Electric Company	\$ 268,117,019.33	\$ 268,087,047.17	\$269,052,633.92	\$264,042,079.87	\$254,426,664.04
Less debentures held by Escrow Agents	201,102,240.00	192,246,590.00	167,546,860.00	108,673,800.00	—
Remainder	\$ 67,014,779.33	\$ 75,841,057.17	\$101,505,773.92	\$155,368,279.87	\$254,426,664.04
Associated Gas and Electric Corporation	140,935,520.00	143,877,995.00	115,758,965.00	75,500,935.00	7,413,820.00
Other subsidiary companies	374,807,872.70	351,864,065.56	247,648,722.72	248,443,291.79	251,805,249.15
Total Funded Debt	\$ 582,758,172.03	\$ 571,583,117.73	\$464,913,461.64	\$479,312,506.66	\$513,645,733.19
BONDS CALLED FOR REDEMPTION \$	10,216,479.05	\$ 15,712,004.98	—	—	—
MATURED BONDS AND BOND INTEREST (contra)	2,660,833.86	3,775,008.82	\$ 1,348,778.07	\$ 802,759.92	\$ 648,655.90
NOTES PAYABLE	8,566,576.51	11,047,193.24	5,570,598.78	3,916,600.92	5,790,299.73
ACCOUNTS PAYABLE	5,548,287.45	4,815,386.16	3,030,473.41	3,371,426.98	2,770,475.73
ACCRUED ACCOUNTS	15,702,705.48	13,516,415.91	14,042,913.62	11,853,684.69	12,124,899.94
CONSUMERS' DEPOSITS	5,747,815.93	5,419,697.88	4,280,620.74	4,075,203.50	4,134,587.00
GUARANTY OF APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra)	4,324,329.90	2,047,173.56	—	—	—
RESERVE FOR RETIREMENTS	67,957,547.63	64,563,910.66	58,475,129.86	51,726,595.40	51,919,171.37
OTHER RESERVES AND UNADJUSTED CREDITS	12,646,943.58	11,682,654.59	11,331,462.64	13,048,249.52	10,625,346.36
Total Liabilities Side and Capital	<u>\$1,038,600,275.16</u>	<u>\$1,016,705,070.89</u>	<u>\$846,092,556.29</u>	<u>\$851,749,798.05</u>	<u>\$868,526,561.28</u>

Associated Gas and Electric Company and Subsidiary Companies

COMPARATIVE CONSOLIDATED INCOME ACCOUNT

(Including acquired properties only since dates of acquisition)

	For years ended December 31st				
	1936	1935	1934	1933	1932
OPERATING REVENUES:					
Electric	\$ 92,767,745.36	\$73,190,931.25	\$65,993,443.04	\$64,270,440.95	\$66,182,889.65
Gas	13,466,888.54	12,106,353.98	11,381,493.47	10,844,081.24	11,617,219.62
Steam heating, water, ice, transportation, etc.	9,575,712.56	7,918,432.10	6,598,152.05	6,216,779.05	7,026,347.59
Total	\$115,810,346.46	\$93,215,717.33	\$83,973,088.56	\$81,331,301.24	\$84,826,456.86
OPERATING EXPENSES AND MAINTENANCE	59,161,101.23	48,319,901.56	42,901,872.69	40,854,769.15	40,771,013.68
BALANCE	\$ 56,649,245.23	\$44,895,815.77	\$41,071,215.87	\$40,476,532.09	\$44,055,443.18
PROVISION FOR TAXES.....	12,508,493.98	9,799,411.27	8,589,951.92	7,855,422.20	6,858,232.01
BALANCE	\$ 44,140,751.25	\$35,096,404.50	\$32,481,263.95	\$32,621,109.89	\$37,197,211.17
PROVISION FOR RETIREMENTS.....	9,311,349.05	8,081,815.82	7,329,680.04	6,815,360.98	7,251,309.08
OPERATING INCOME.....	\$ 34,829,402.20	\$27,014,588.68	\$25,151,583.91	\$25,805,748.91	\$29,945,902.09
OTHER INCOME (net).....	1,765,460.79	1,690,741.98	1,140,840.26	1,725,077.05	2,776,733.33
GROSS INCOME	\$ 36,594,862.99	\$28,705,330.66	\$26,292,424.17	\$27,530,825.96	\$32,722,635.42
DEDUCTIONS FROM INCOME OF SUBSIDIARY COMPANIES	30,826,370.86	23,998,477.24*	20,443,326.37*	17,693,017.50*	17,351,924.72*
BALANCE	\$ 5,768,492.13	\$ 4,706,853.42	\$ 5,849,097.80	\$ 9,837,808.46	\$15,370,710.70
†FIXED DEDUCTIONS FROM INCOME OF ASSOCIATED GAS AND ELECTRIC COMPANY	3,435,418.50	4,398,040.41	6,029,000.62	11,516,298.34	12,366,102.73
BALANCE	\$ 2,333,073.63	\$ 308,813.01	\$ 179,902.82†	\$ 1,678,489.88†	\$ 3,004,607.97

NOTES:

* Exclusive of that portion of such charges ranking after fixed interest of Associated Gas and Electric Company.

† Includes no interest on income obligations convertible into stock at company's option or charges ranking therewith.

‡ Loss.

The statement does not include out-of-the-ordinary expenses in connection with various investigations, legal cases, etc., charged to operating or non-operating expenses by subsidiaries but to corporate surplus in consolidated statements for the years ended December 31, 1936, 1935 and 1934. It also does not include expenses in connection with the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company.

The figures above are for the purpose of indicating the trend of earnings, and have not been adjusted to be strictly comparable for the entire five-year period. The amounts shown for the years 1932, 1933 and 1934 differ from the published reports for those years, due to revisions in the comparative statements in subsequent reports.

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

*Capital stock of Associated Gas and Electric Company	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Preferred:			
Original Series—Cumulative (\$3.50).....	38,783	—	38,783
\$7.00 Series—Cumulative	98,588	—	98,588
\$6.50 Series—Cumulative	62,071	—	62,071
\$6.00 Series—Cumulative	131,308	10	131,298
\$5.50 Series—Cumulative	246	—	246
\$5.00 Series—Cumulative	207,984	127,171	80,813
Preference:			
\$6.50 Series—Cumulative	42,372	35,565	6,807
\$6.00 Series—Cumulative	372,231	367,799	4,432
\$5.50 Series—Cumulative	11,985	—	11,985
\$5.00 Series—Cumulative	75	—	75
\$4.00 Series—Cumulative	810,922	769,046	41,876
Class A	4,570,294	15	4,570,279
Class B	607,953	—	607,953
Common	1,106,318	—	1,106,318
Optional Stock Purchase Warrants.....	1,207,738.3†	—	1,207,738.3†
New Optional Stock Purchase Warrants.....	100,519.5†	—	100,519.5†
Common Stock Purchase Warrants.....	92,127.6‡	6,394.7‡	85,732.9‡

* Includes unsundered Convertible Debenture Certificates, etc., which have been called for conversion into cumulative preferred and preference stocks, as explained in previous reports.

† Maximum number of shares of Class A Stock issuable upon exercise of warrants.

‡ Shares of Common Stock issuable upon exercise of warrants.

Funded debt of Associated Gas and Electric Company	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by Escrow Agents	Amount held by public
Debentures, due 1983	4	\$13,967,000.00	—	\$12,822,900.00	\$1,144,100.00
Convertible Debentures, due 1977	5½	8,087,300.00	\$48,000.00	5,810,000.00	2,229,300.00
Debenture Bonds, Consolidated Refunding:					
Series due 1968	5	85,585,900.00	—	62,987,000.00	22,598,900.00
Series due 1958	4½	16,923,500.00	—	13,680,100.00	3,243,400.00
Convertible Debentures, due 1950	5	49,935,000.00	—	34,545,300.00	15,389,700.00
Convertible Debentures, due 1949	4½	65,336,500.00	—	52,407,700.00	12,928,800.00
Convertible Debentures, due 1948	4½	3,886,350.00	—	2,577,990.00	1,308,360.00
Convertible Investment Certificates	5½	14,251,900.00	72,000.00	10,369,900.00	3,810,000.00
Convertible Debenture Bonds, due 1965	5½	7,456,530.00	—	5,901,350.00	1,555,180.00
Sinking Fund Income Debentures, due 1983:					
Series A	5½	277,295.00	8,770.00	—	268,525.00
Series B	5	749,695.00	85,220.00	—	664,475.00
Series C	4½	247,530.00	46,900.00	—	200,630.00
Series D	4	173,070.00	13,800.00	—	159,270.00
Sinking Fund Income Debentures, due 1986:					
Series A	5½	136,130.00	78,730.00	—	57,400.00
Series B	5	1,799,680.00	1,421,770.00	—	377,910.00
Series C	4½	1,308,540.00	940,140.00	—	368,400.00
Series D	4	137,450.00	110,850.00	—	26,600.00
Income Debentures, due 1983	5	24,600.00	—	—	24,600.00
Interest-Bearing Scrip, due 1937 and 1938	7	659,229.33*	—	—	659,229.33*

Total

\$67,014,779.33

* Includes accrued interest, payable at maturity.

Scrip certificates of Associated Gas and Electric Company for interest on convertible obligations	*Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
Due 1941 and 1944	4	\$10,605,876.66	\$ 870,207.75	\$ 9,735,668.91
Due 1947	4½	94,064.69	—	94,064.69
Total				\$9,829,733.60

* Interest-bearing in multiples of \$100 principal amount.

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Obligations of Associated Gas and Electric Company convertible into stock at Company's option and obligations of subsidiary company of equivalent rank.	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
ASSOCIATED GAS AND ELECTRIC COMPANY:				
Convertible Obligations, Series A	7	\$ 3,487,050.00	\$ 2,000.00	\$ 3,485,050.00
Convertible Obligations, Series A	6½	1,178,600.00	8,000.00	1,170,600.00
Convertible Obligations, Series A	6	25,215,556.00	67,800.00	25,147,756.00
Convertible Obligations, Series A	5½	364,561.00	—	364,561.00
Convertible Obligations, Series A	5	36,397,300.00	18,724,400.00	17,672,900.00
Convertible Obligations, Series B	6	1,660,100.00	—	1,660,100.00
EASTERN UTILITIES INVESTING CORPORATION:				
Debentures, due 1954	5	3,282,629.98*	2,373,669.99*	908,959.99*
Total				\$50,409,926.99

* Includes matured and accrued interest.

Capital stock of General Gas & Electric Corporation and Eastern Utilities Investing Corporation	Shares outstanding	Shares eliminated in consolidation	Shares held by public
GENERAL GAS & ELECTRIC CORPORATION:			
\$5.00 Prior Preferred	17,999.9	2,136	15,863.9
\$5.00 Preferred	15,343.85	13,351.5	1,992.35
\$7.00 Preferred	22,266.9	18,428.5	3,838.4
\$6.00 Convertible Preferred, Series A and B	619,804	591,216	28,588
Class A—Common	4,911,749	2,622,247	2,289,502
Class B—Common	3,047,000	3,036,532	10,468
EASTERN UTILITIES INVESTING CORPORATION:			
Prior Preferred—(\$5.00)	12,815	12,737	78
\$7.00 Preferred	347	—	347
\$6.00 Preferred	9,391	9,321	70
Participating Preference	23,402	23,301	101
Class A—Common	69,445	25,912	43,533

Preferred stocks of other subsidiary companies	Rate per share	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Eastern Shore Public Service Company	\$6.50	14,538	—	14,538
Eastern Shore Public Service Company	6.00	20,177	—	20,177
Empire Gas and Electric Company—Series A	6.00	3,150	1,850	1,300
Empire Gas and Electric Company—Series C	7.00	13,816	8,553	5,263
Empire Gas and Electric Company—Series D	6.00	9,803	7,762	2,041
Florida Power Corporation	3.50	5,940	420	5,520
Florida Power Corporation	7.00	28,762	—	28,762
Florida Public Service Company	7.00	21,652	21,554	98
Georgia Power and Light Company	6.00	10,572	—	10,572
Keystone Public Service Company	2.80	11,939	2,665	9,274
Metropolitan Edison Company—Prior Preferred	7.00	5,734	200	5,534
Metropolitan Edison Company—Prior Preferred	6.00	91,802	519	91,283
Metropolitan Edison Company—Prior Preferred	5.00	199	61	138
Metropolitan Edison Company	7.00	11,518	10,920	598
Metropolitan Edison Company	6.00	95,886	82,371	13,515
Metropolitan Edison Company	5.00	5,686	5,510	176
Municipal Service Company	6.00	53,289	106	53,183
New Jersey Power & Light Company	6.00	33,000	22,187	10,813
New Jersey Power & Light Company	5.00	1,041	1,023	18
New York Central Electric Corporation	7.00	46,681	38,371	8,310
NY PA NJ Utilities Company—Non-Cumulative	3.00	6,138.2	443.6	5,694.6
Ohio-Midland Light and Power Company	5.00	1,978.6	1,888.37	89.73
Pennsylvania Edison Company	5.00	123,466	42	123,424
Pennsylvania Edison Company	2.80	84,029	60	83,969
Rochester Gas and Electric Corporation—Series C	6.00	27,000	12,676	14,324
Rochester Gas and Electric Corporation—Series D	6.00	171,871	16,662	155,209
Rochester Gas and Electric Corporation—Series E	6.00	40,000	—	40,000
South Carolina Electric & Gas Company	7.00	38,105	36,525	1,580
Tide Water Power Company	6.00	23,858	—	23,858
Virginia Public Service Company	7.00	40,440	—	40,440
Virginia Public Service Company	6.00	53,779	—	53,779
York Railways Company	2.50	32,000	27,584	4,416

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Common and participating stocks of other subsidiary companies	Shares outstanding	Shares eliminated in consolidation	Shares held by public
The Clarion River Power Company—Participating.....	44,530	39,794.8	4,735.2
Municipal Service Company.....	62,267.3	62,099.7	167.6
Ohio-Midland Light and Power Company—Class A.....	3,778.6	3,611.77	166.83
Utilities Employees Securities Company.....	1,000	970	30
Utilities Mutual Management Association, Inc.....	102,320	85,020	17,300*
West Virginia Light, Heat and Power Company.....	5,000	4,655	345
York Railways Company.....	50,000	49,594	406
* Held by affiliated companies.			

Funded debt of Associated Gas and Electric Corporation	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
Bonds, due 1940.....	8	\$ 9,203,300.00	\$ 639,470.00	\$ 8,563,830.00
Convertible Debentures, due 1973.....	5½	1,921,010.00	—	1,921,010.00
Convertible Debentures, due 1973.....	5	16,534,995.00	—	16,534,995.00
Convertible Debentures, due 1973.....	4½	12,119,210.00	—	12,119,210.00
Convertible Debentures, due 1973.....	4	764,200.00	—	764,200.00
Income Debentures, due 1978.....	4½	18,554,710.00	9,265,220.00	9,289,490.00
Income Debentures, due 1978.....	4	67,340,615.00	11,635,680.00	55,704,935.00
Income Debentures, due 1978.....	3¾	36,701,680.00	9,977,000.00	26,724,680.00
Income Debentures, due 1978.....	3½	11,028,590.00	1,715,420.00	9,313,170.00
Total				\$140,935,520.00

Funded debt of other subsidiary companies	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
ASSOCIATED ELECTRIC COMPANY:				
Bonds, due 1953.....	4½	\$ 30,000,000.00	\$ 4,504,600.00	\$ 25,495,400.00
Bonds, due 1961.....	5	35,000,000.00	558,300.00	34,441,700.00
BINGHAMTON LIGHT, HEAT & POWER CO.:				
First Refunding Mortgage, due 1946.....	5	6,971,000.00	2,000.00	6,969,000.00
BROAD RIVER POWER COMPANY:				
First and Refunding Mortgage, Series A, due 1954.....	5	8,361,900.00	5,692,400.00	2,669,500.00
CANADEA POWER CORPORATION:				
First Mortgage, due 1958.....	5	2,000,000.00	—	2,000,000.00
EASTERN POWER COMPANY:				
Collateral Note, due 1941-1945.....	5	3,350,000.00	—	3,350,000.00
EASTERN SHORE PUBLIC SERVICE COMPANY:				
First Mortgage and First Lien, Series A, due 1947.....	5½	4,800,000.00	23,500.00	4,776,500.00
First Mortgage and First Lien, Series B, due 1955.....	5	2,250,000.00	107,500.00	2,142,500.00
ELMIRA WATER, LIGHT AND RAILROAD COMPANY:				
First Consolidated Mortgage, due 1956.....	5	5,000,000.00	88,000.00	4,912,000.00
EMPIRE GAS AND ELECTRIC COMPANY:				
General and Refunding Mortgage, Series A, due 1952.....	6	1,860,000.00	238,500.00	1,621,500.00
EMPIRE GAS AND ELECTRIC CO. AND EMPIRE COKE CO.:				
Joint First and Refunding Mortgage, due 1941.....	5	2,669,000.00	103,000.00	2,566,000.00
ERIE LIGHTING COMPANY:				
First Mortgage Sinking Fund, due 1967.....	5	4,768,500.00	17,000.00	4,751,500.00
FLORIDA POWER CORPORATION:				
First Mortgage, Series C, due 1966.....	4	10,000,000.00	—	10,000,000.00
Sinking Fund Debentures, due 1946.....	5	2,500,000.00	—	2,500,000.00
FLORIDA PUBLIC SERVICE COMPANY:				
First Mortgage, Series C, due 1955.....	4	6,000,000.00	676,100.00	5,323,900.00
GENERAL GAS & ELECTRIC CORPORATION:				
Notes, due 1937.....	5	160,950.00	7,500.00	153,450.00
Interest-Bearing Scrip, due 1937 and 1938.....	7	697,671.06	—	697,671.06
GENERAL UTILITY INVESTORS CORPORATION:				
Secured Notes, due 1937-1938.....	4	3,000,000.00	—	3,000,000.00
GEORGIA POWER AND LIGHT COMPANY:				
First Mortgage, due 1978.....	5	3,140,000.00	66,000.00	3,074,000.00
KEYSTONE PUBLIC SERVICE COMPANY:				
First Mortgage, due 1978.....	5	4,000,000.00	—	4,000,000.00
LEXINGTON WATER POWER COMPANY:				
First Mortgage, due 1968.....	5	11,410,200.00	2,933,700.00	8,476,500.00
LOCKPORT LIGHT, HEAT AND POWER COMPANY:				
First Mortgage, Series A, due 1954.....	5½	1,218,000.00	143,000.00	1,075,000.00
LONG ISLAND WATER CORPORATION:				
First Mortgage, due 1955.....	5½	2,144,000.00	74,000.00	2,070,000.00

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Funded debt of other subsidiary companies	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
THE MANILA ELECTRIC RAILROAD AND LIGHTING CORP.:				
First Lien and Collateral Trust, due 1953.....	5	\$ 2,095,000.00	\$1,545,000.00	\$ 550,000.00
THE MARYLAND LIGHT AND POWER COMPANY:				
First Mortgage, Series A, due 1950.....	5½	1,089,000.00	101,000.00	988,000.00
METROPOLITAN EDISON COMPANY:				
First Mortgage, Series D, due 1968.....	4½	22,830,500.00	61,000.00	22,769,500.00
First Mortgage, Series E, due 1971.....	4	4,684,000.00	3,000.00	4,681,000.00
First Mortgage, Series G, due 1965.....	4	11,710,900.00	—	11,710,900.00
MUNICIPAL SERVICE COMPANY:				
Sinking Fund Collateral Trust, Series A, due 1956.....	6	3,926,500.00	1,310,500.00	2,616,000.00
NEW JERSEY POWER & LIGHT COMPANY:				
First Mortgage, due 1960.....	4½	13,920,000.00	73,000.00	13,847,000.00
NEW YORK CENTRAL ELECTRIC CORPORATION:				
First Mortgage, due 1950.....	5½	3,284,500.00	452,000.00	2,832,500.00
First Mortgage, due 1952.....	5	1,153,000.00	617,000.00	536,000.00
NEW YORK STATE ELECTRIC & GAS CORPORATION:				
First Mortgage, due 1962.....	5½	3,445,000.00	24,000.00	3,421,000.00
First Mortgage, due 1952.....	6	361,000.00	39,000.00	322,000.00
First Mortgage, due 1980.....	4½	17,094,500.00	435,400.00	16,659,100.00
First Mortgage, due 1960.....	4½	3,490,000.00	15,700.00	3,474,300.00
Collateral Note, due 1941.....	4½	750,000.00	—	750,000.00
NEWPORT NEWS AND HAMPTON RAILWAY, GAS AND ELECTRIC COMPANY:				
First and Refunding Mortgage, due 1944.....	5	3,802,500.00	—	3,802,500.00
NEWPORT NEWS & OLD POINT RAILWAY & ELECTRIC CO.:				
First Mortgage, due 1938.....	5	866,000.00	—	866,000.00
NORTHEEN PENNSYLVANIA POWER COMPANY:				
First and Refunding Mortgage, Series A, due 1956.....	5	1,369,900.00	26,000.00	1,343,900.00
First and Refunding Mortgage, due 1962.....	5	2,089,600.00	159,300.00	1,930,300.00
THE PARR SHOALS POWER COMPANY:				
First Mortgage Sinking Fund, due 1952.....	5	1,883,000.00	48,000.00	1,835,000.00
PENN CENTRAL LIGHT AND POWER COMPANY:				
First Mortgage, due 1979.....	5	2,175,000.00	—	2,175,000.00
First Mortgage, due 1977.....	4½	25,700,000.00	308,000.00	25,392,000.00
PENN PUBLIC SERVICE CORPORATION:				
First and Refunding Mortgage, Series C, due 1947.....	6	4,549,000.00	20,000.00	4,529,000.00
First and Refunding Mortgage, Series D, due 1954.....	5	2,435,000.00	32,000.00	2,403,000.00
PENNSYLVANIA ELECTRIC COMPANY:				
First and Refunding Mortgage, Series H, due 1962.....	5	17,313,500.00	3,377,300.00	13,936,200.00
First and Refunding Mortgage, Series F, due 1971.....	4	6,657,000.00	180,000.00	6,477,000.00
RICHMOND LIGHT & RAILROAD COMPANY:				
First and Collateral Trust, due 1952.....	4	1,000,000.00	2,000.00	998,000.00
ROCHESTER GAS AND ELECTRIC CORPORATION:				
General Mortgage, Series D, due 1977.....	4½	6,000,000.00	—	6,000,000.00
General Mortgage, Series E, due 1962.....	5	8,323,000.00	—	8,323,000.00
General Mortgage, Series F, due 1960.....	4	15,000,000.00	—	15,000,000.00
SOUTHSIDE VIRGINIA POWER COMPANY:				
First Mortgage, Series A, due 1956.....	5	2,000,000.00	—	2,000,000.00
STATEN ISLAND EDISON CORPORATION:				
Refunding and Improvement Mortgage, due 1937.....	4	2,000,000.00	—	2,000,000.00
TIDE WATER POWER COMPANY:				
First Mortgage, Series A, due 1979.....	5	6,261,500.00	26,000.00	6,235,500.00
UTILITIES EMPLOYEES SECURITIES COMPANY:				
Income Notes and Bonds, due 1981 (including payments on subscriptions).....	6-8	6,084,355.07	100,000.00	5,984,355.07
VIRGINIA PUBLIC SERVICE COMPANY:				
First Mortgage and Refunding, Series A, due 1946.....	5½	14,634,000.00	471,000.00	14,163,000.00
First Mortgage and Refunding, Series B, due 1950.....	5	7,500,000.00	187,000.00	7,313,000.00
First Mortgage and Refunding, Series C, due 1952.....	6	3,000,000.00	87,000.00	2,913,000.00
Sinking Fund Debentures, due 1946.....	6	3,723,500.00	—	3,723,500.00
YORK HAVEN WATER AND POWER COMPANY:				
Bonds, due 1951.....	5	1,247,500.00	2,000.00	1,245,500.00
YORK RAILWAYS COMPANY:				
First Mortgage, due 1937.....	5	6,106,000.00	—	6,106,000.00
MISCELLANEOUS				6,889,696.57
Total				\$374,807,872.70

Associated Gas and Electric Company

TRUSTEES, PAYING AGENTS, REGISTRARS AND TRANSFER AGENTS

Capital Stock	Transfer Agents	Registrars
	(see reference below)	
Preferred—all series	1	2
Preference—all series	1	2
Class A	1-10	5-9
Class B	3	—
Common	1-10	2-9
Optional Stock Purchase Warrants	1	2
New Optional Stock Purchase Warrants	1	2

Obligations Convertible into Stock at Company's Option and Scrip Certificates for Interest on Convertible Obligations	Interest Rate %	Interest dates	Interest payable at	Transfer Agent
			(see reference below)	
Convertible Obligations, due 2002:				
Series A	7-6½-5½-5	FMAN-15	1	1
Series A and Series B	6	MJSD-1	1	1
Scrip Certificates for Interest on Convertible Obligations (interest- bearing in multiples of \$100 principal amount):				
Due October 1, 1941	4	A&O-1	1	1
Due November 1, 1941	4	M&N-1	1	1
Due December 1, 1941	4	J&D-1	1	1
Due February 15, 1942	4	F&A-15	1	1
Due March 1, 1942	4	M&S-1	1	1
Due May 15, 1942	4	M&N-15	1	1
Due June 1, 1942	4	J&D-1	1	1
Due August 15, 1942	4	F&A-15	1	1
Due September 1, 1942	4	M&S-1	1	1
Due June 15, 1944	4	J&D-15	1	1
Due June 15, 1947	4½	J&D-15	1	1

Funded Debt	Interest Rate %	Interest dates	Interest payable at	Trustee
			(see reference below)	
Debentures, due 1983	4	M&S-15	1	8
Convertible Debentures, due 1977	5½	F&A-1	1	7
Debenture Bonds, Consolidated Refunding:				
Series due 1968	5	A&O-1	1	5
Series due 1958	4½	M&N-1	1	4
Convertible Debentures, due 1950	5	F&A-1	1	8
Convertible Debentures, due 1949	4½	J&J-15	1	4
Convertible Debentures, due 1948	4½	M&S-1	1	7
Convertible Investment Certificates	5½	M&N-15*	1	1†
Convertible Debenture Bonds, due 1965	5	M&N-15	1	6
Sinking Fund Income Debentures, due 1983:				
Series A	5½	F&A-1	1	8
Series B	5	M&S-1	1	8
Series C	4½	M&N-1	1	8
Series D	4	M&S-15	1	8
Sinking Fund Income Debentures, due 1986:				
Series A	5½	F&A-1	1	8
Series B	5	M&S-1	1	8
Series C	4½	M&N-1	1	8
Series D	4	M&S-15	1	8
Income Debentures, due 1983	5	A&O-1	1	8
Interest-Bearing Scrip, due 1937 and 1938	7	†	—	1†

* Registered FMAN-15.

† Transfer agent.

‡ Interest payable at maturity.

REFERENCE

- | | |
|---|--|
| <p>1 Transfer and Paying Agency, 41 Trinity Place,
New York</p> <p>2 Securities Registration Agency, 61 Broadway,
New York</p> <p>3 The Company, Ithaca, N. Y.</p> <p>4 The Chase National Bank of the City of New York</p> <p>5 Guaranty Trust Company of New York</p> | <p>6 Irving Trust Company, New York</p> <p>7 The New York Trust Company, New York</p> <p>8 The Public National Bank and Trust Company of
New York</p> <p>9 The First National Bank of Boston (Mass.)</p> <p>10 State Street Trust Company, Boston, Mass.</p> |
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ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT 1937

ASSOCIATED GAS AND ELECTRIC COMPANY



ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1937

ASSOCIATED GAS AND ELECTRIC COMPANY

(Incorporated under the laws of the State of New York in 1906)

Officers

J. I. MANGE	Chairman and President
S. J. MAGEE	Vice-President and General Manager
O. E. WASSER	Vice-President
F. P. CUMMINGS	Consulting Vice-President
*A. L. JACKSON	Secretary
E. G. HENSHAW	Treasurer

* Elected September 6, 1938, to succeed C. A. Dougherty, resigned.

Directors

GARRETT A. BROWNBACK	SANFORD J. MAGEE
FRANCIS P. CUMMINGS	JOHN I. MANGE
HENRY R. HAYES	WILLIAM A. PRENDERGAST
†ARCHIBALD L. JACKSON	†HARRY REID

† Elected September 6, 1938, to succeed F. S. Burroughs and H. C. Hasbrouck, resigned.

PRINCIPAL OFFICE ITHACA, NEW YORK

Neither this report, nor any statement contained herein, is furnished in connection with any offering of securities or for the purpose of promoting or influencing the sale or purchase of securities.

ASSOCIATED GAS AND ELECTRIC COMPANY

ANNUAL REPORT

For the Year Ended December 31, 1937

IT WOULD be unjust to the security holders of this company if your officers and directors did not remind you of the critical times through which the public utilities have been passing, in order that you may appreciate the seriousness of the situation. It seems unnecessary to rehearse the legislative measures enacted by the Federal and State governments, and the punitive policies that have been directed against the utilities, especially the electric industry. It is hoped that a calmer public attitude is now developing which will enable the utilities to expand their operations and render a greater degree of satisfactory service to the public.

This Associated System, like all other utility organizations, has been enduring, and will continue to endure, the burdensome effects of increasing taxation and exacting regulatory requirements, but is hopeful that from now on more moderate policies on the part of government will prevail. Our security holders will be serving their own best interests the more they endeavor, through all legitimate means, to promote the reconciliation of the relations between public authorities and the public utilities. The facts recited in this report justify the foregoing observations.

The nation has greater need than ever before for prosperous utilities, able and ready to spend a billion dollars a year for new construction, thereby stimulating industries which supply machinery, copper, iron and steel, chemicals, and other materials. But investors will not put new money into utility enterprises, which, therefore, can make no real contribution to recovery, so long as power remains a bitter political issue.

Comparison of Operating Results of Company and Subsidiaries

(Including acquired properties for entire period—irrespective of dates of acquisition)

	—Years ended December 31—		—Increase—	
	1937	1936	Amount	%
Operating Revenues:				
Electric	\$102,587,473	\$ 95,699,317	\$6,888,156	7.2
Gas	13,808,683	13,401,234	407,449	3.0
Transportation	6,606,428	5,847,847	758,581	12.9
Water	2,671,973	2,617,852	54,121	2.0
Heating	1,627,940	1,650,834	22,894*	1.4*
Ice	1,295,296	1,229,141	66,155	5.4
Total Gross Operating Revenues.....	\$128,597,793	\$120,446,225	\$8,151,568	6.8
Operating Expenses and Maintenance.....	66,282,572	61,533,717	4,748,855	7.7
Balance Before Taxes and Provision for Retirements.....	\$ 62,315,221	\$ 58,912,508	\$3,402,713	5.7
Provision for Taxes.....	15,754,411	13,146,647	2,607,764	19.8
Balance Before Provision for Retirements.....	\$ 46,560,810	\$ 45,765,861	\$ 794,949	1.7
Provision for Retirements.....	11,066,229	9,740,124	1,326,105	13.6
Operating Income	\$ 35,494,581	\$ 36,025,737	\$ 531,156*	1.5*

* Decrease.

RESULTS OF OPERATIONS

"EARNING POWER" BASIS—The "earning power" statement shown on the preceding page includes for the full two-year period the operations of all subsidiaries owned at December 31, 1937, irrespective of dates acquired. It excludes certain non-recurring expenses in both years. On this basis, operating income declined 1.5%, despite the fact that total operating revenues increased nearly 7%. Higher operating expenses and a drastic increase in taxes were largely responsible for the current decline.

Gross operating revenues in 1937 amounted to \$128,597,793. This represented an increase of \$8,151,568, or about 7% more than in 1936. Electric revenue comprised 80% of the total. Operating expenses and maintenance rose to \$66,282,572, an increase of \$4,748,855, or 7.7%. A large portion of this represents increased costs of fuel and other materials, larger purchases of electric energy, and higher payrolls, all incident to increased business. Approximately \$1,100,000 was accrued during the year by certain subsidiaries relative to the adoption of an employees' pension plan and considerable additional expense was incurred in 1937 in connection with various proceedings and demands of regulatory authorities, tax assessments, employees' welfare activities and other matters.

Taxes increased to \$15,754,411 for the year, a rise of \$2,607,764 or about 20%. This is a new peak in taxes and is also the largest percentage increase ever recorded over a previous year. The important problem of increasing taxation is also the subject of further discussion in this report.

After deducting the operating expenses and taxes cited above, and provision for retirements, amounting to \$11,066,229, there remained operating income of \$35,494,581 which was \$531,156, or 1.5% below the corresponding figure for 1936.

"SINCE ACQUISITION" BASIS—A comparative statement on this basis, which includes operations of

properties acquired in 1937 only since dates of acquisition, is shown on page thirty of this report. Total operating revenues amounted to \$125,599,081 for 1937, an increase of \$9,788,734 over last year. Substantial increases in operating expenses and taxes, however, brought operating income down to \$34,666,034 which represented a decline of \$163,368 under 1936. After all deductions of subsidiary companies and \$3,699,998 for fixed interest and amortization of debt discount and expense of Associated Gas and Electric Company, there was a balance of \$914,072. The amount of interest on convertible obligations of the Company and other charges ranking therewith (payable only as declared) amounted to \$2,141,922.21 for the year, which is shown as a deduction from corporate surplus on page twenty-one of this report.

At least \$2,000,000 of subsidiaries' earnings applicable to common stock owned were not immediately available to their parent companies because of temporary restrictions incident to court proceedings, voting trust agreements, and agreements with creditors.

The consolidated income account for 1937 includes approximately \$1,010,000 of earnings applicable to the inclusion of Utilities Employees Securities Company in the consolidation. Since December 31, 1937, however, certain rearrangements were effected which resulted in employee bondholders of that company controlling a majority of the board of directors of Utilities Employees Securities Company. Based upon that fact, the latter company has applied for exemption from the Public Utility Holding Company Act of 1935 on the grounds that it is not a subsidiary of Associated Gas and Electric Company. The beneficial interest in Utilities Employees Securities Company, however, continues to be held as heretofore.

OUTPUT DECLINING—Net electric output during the year was 4,687,525,718 units (kwh.), which is an increase of 425,251,018 units or 10% above

Summary of Operations

(Including acquired properties for entire period—irrespective of dates of acquisition)

	1937	1936	% Increase
Number of electric customers.....	1,309,869	1,249,198	4.9
Number of customers using gas, water, and steam service.....	414,597	403,767	2.7
Gross operating revenues.....	\$128,597,793	\$120,446,225	6.8
Operating income.....	35,494,581	36,025,737	1.5*
Total electric output in units (kwh.) net.....	4,687,525,718	4,262,274,700	10.0
Total gas sendout in units (m.c.f.).....	18,990,431	17,853,597	6.4
Units of electricity (kwh.) sold per residential customer.....	699	644	8.5
Units of gas (m.c.f.) sold per residential customer.....	32.9	33.3	1.2*
Estimated annual revenue resulting from New Business activities....	\$10,650,000	\$8,540,000	24.7

* Decrease

production for 1936. Since November 1937, however, total output each month has been smaller than in the corresponding month of the previous year. The loss was caused chiefly by curtailment in use by large power customers. This class of use is the first to be affected in an industrial depression. Use of electricity for domestic purposes, however, has continued to reflect increases each month over the preceding year and the rate of decline in industrial sales has lessened substantially in recent weeks.

71,501 MORE CUSTOMERS

Customers served by operating subsidiaries increased in number from 1,652,965 to 1,724,466, a gain of 71,501. Increases have been unusually large during the past two years. Of the total number, 1,309,869 are electric, and 414,597 are gas, water, and steam customers. The following table indicates the total number of customers served by present subsidiaries of the Company at December 31, for the past ten years:

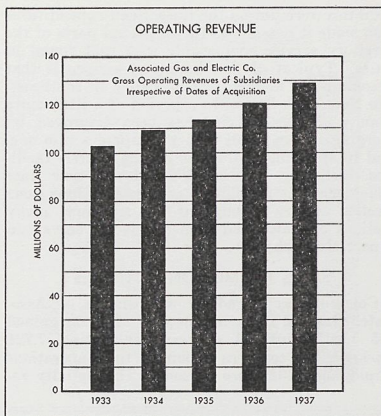
1937.....	1,724,466	1932.....	1,505,426
1936.....	1,652,965	1931.....	1,512,174
1935.....	1,587,059	1930.....	1,481,785
1934.....	1,544,083	1929.....	1,431,127
1933.....	1,505,190	1928.....	1,358,635

RATES REDUCED \$2,953,000

Substantial reductions in rates were made by subsidiaries in 1937. Reductions which became effective in that year represent an estimated saving to customers of \$2,953,000 per year. This brought to a total of \$16,610,000 annually the reductions made by present subsidiaries during the past ten years, based on the customers' use of service during the twelve months' period prior to the reductions, as follows:

	Per Year	
	Made during the Year	Cumulative
1937.....	\$2,953,000	\$16,610,000
1936.....	1,927,000	13,657,000
1935.....	3,027,000	11,730,000
1934.....	1,145,000	8,703,000
1933.....	2,207,000	7,558,000
1932.....	862,000	5,351,000
1931.....	1,286,000	4,489,000
1930.....	1,134,000	3,203,000
1929.....	1,104,000	2,069,000
1928.....	965,000	965,000

The reduction in the average residential electric rate in 1937 was 6%. These rate reductions, plus the fact that the inducement forms of rates in effect offer a progressively lower price for increased use, were factors which caused the average residential electric usage of customers to increase 8½% during the last year.



NEW CONSTRUCTION OF \$26,311,000

In spite of the great difficulties encountered in providing funds for new construction requirements, operating subsidiaries of the Company were able to do the work most urgently required. The amount spent for this purpose was the greatest since 1930. The largest single item in this expenditure was the construction of a 20,000-kilowatt generating plant at Dresden, N. Y., to supply power for the New York State Electric & Gas Corporation. Other important construction provided additional electrical generating and transmission facilities for Rochester Gas and Electric Corporation, and over \$6,000,000 was expended on a number of projects in Pennsylvania.

Expenditures for new construction by present subsidiaries during the last ten years have been as follows:

	Per Year	
	Made during the Year	Cumulative
1937.....	\$26,311,000	\$219,571,000
1936.....	17,624,000	193,260,000
1935.....	11,699,000	175,636,000
1934.....	7,824,000	163,937,000
1933.....	6,200,000	156,113,000
1932.....	6,438,000	149,913,000
1931.....	24,274,000	143,475,000
1930.....	38,788,000	119,201,000
1929.....	45,867,000	80,413,000
1928.....	34,546,000	34,546,000

These construction expenditures, among other things, made it possible during the past four years alone to connect nearly 220,000 new customers, many of whom had never before enjoyed electric or gas service. In some instances, whole com-

munities were put on the lines. Such expenditures also made it possible to furnish to all parts of the territory service comparable with that found in cities. Typical of this improved service is that accomplished in the Harlem Valley in southeastern New York State. In a period of a little more than a decade, service has been improved by merging fifteen small utility companies into one, and in spending \$5,000,000 on the electric facilities, including building 500 miles of new lines which made it possible to give twenty-four hour electric service throughout the territory, many sections of which had been previously served on a part time schedule.

SALES PROMOTION ACTIVITIES

Communities served by subsidiaries of Associated Gas and Electric Company last year gained 235 new industrial concerns employing 7,721 workers; 265 concerns expanded their operations employing 7,632 more persons. This activity re-

sulted largely from cooperation between the Industrial Development Division of the Associated Gas & Electric System, local Associated operating companies, and civic organizations interested in developing their communities. Despite the fact that 91 firms were lost, principally because of liquidation, there was a net gain of 13,995 workers. Estimated annual gas and electric revenue gained by Associated companies as a result of this industrial activity amounted to \$858,111.

Other sales promotional activities contributed substantially to the addition of new annual revenue in 1937. On the basis of present rates, added annual operating revenues from the estimated use by customers of load-building appliances and other equipment sold during the year by subsidiaries and dealers amounted to \$10,650,000. The corresponding figure for 1936 was \$8,540,000. This gain will be offset to a considerable extent by losses from discontinuance of service and other causes.

Comparison of Consolidated Earnings and Expenses

(Including acquired properties only since dates of acquisition)

Year ended Dec. 31	Operating Revenues	Operating Expenses and Taxes	Provision for Retirements	Operating Income
1927.....	\$ 31,323,287	\$18,264,655	\$1,693,731	\$11,359,901
1928.....	32,357,113	18,290,276	1,830,455	12,236,382
1929.....	68,903,254	36,299,958	3,371,077	29,232,219
1930.....	84,219,293	45,324,139	4,849,193	34,045,961
1931.....	90,575,228	48,806,976	8,310,494	33,457,758
1932.....	84,826,457	47,629,246	7,251,309	29,945,902
1933.....	81,331,301	48,710,191	6,815,361	25,805,749
1934.....	83,973,089	51,491,825	7,329,680	25,151,584
1935.....	93,215,717	58,119,313	8,081,816	27,014,588
1936.....	115,810,346	71,669,595	9,311,349	34,829,402
1937.....	125,599,081	80,056,580	10,876,466	34,666,034

FINANCIAL

Because of their large capital requirements in proportion to their revenues, the financial problem is always an important one with public utilities. It presents grave difficulties in uncertain times like the present when investors are reluctant to risk their capital and are especially reluctant to place it in public utility equities as long as the attitude toward such investments is definitely discouraging. Present holders of securities of Associated Gas and Electric Company are also entitled to know that their company has some pressing financial problems, the solution of which requires and is receiving a great deal of careful consideration.

The consolidated balance sheet at December 31, 1937, shows certain assets and certain liabilities of a character frequently designated as "current", i.e., assets which can be and liabilities which must be quickly liquidated, in distinction from fixed

capital investments and funded or long term obligations.

Without a clear appreciation of the limitations of consolidated balance sheet statements it might appear that the "current position" shown is weaker than is actually the case. The following facts should be taken into consideration, though from the nature of the case not all of them can be given precise evaluation in dollars and cents.

There are perhaps nearly \$50,000,000 of liabilities which, from their designation alone on the consolidated balance sheet, some accountants might classify as "current". At least one-third of this amount, however, does not represent liabilities which must be liquidated during the twelve months immediately subsequent to the date of the balance sheet; and against these there are available readily liquidable assets not ordinarily thought of as "current", such as:

1. At least \$10,000,000 of the \$12,773,868 of marketable securities carried on the consolidated balance sheet as "other investments".

2. At least \$5,000,000 of securities intercorporately owned and therefore eliminated from the consolidated balance sheet, but nevertheless available for pledge or sale if necessary to secure or liquidate short term obligations.

3. At least \$2,000,000 of "investments in affiliated companies", including both marketable securities and notes or open accounts.

In the aggregate, therefore, there are at least \$17,000,000 of quickly liquidable assets which either do not appear at all on the balance sheet or are included in items which would probably not be thought of at first glance as "current".

Among the approximately \$50,000,000 of liabilities which some might classify as "current" are amounts such as are described below:

1. \$3,174,000 of the \$3,288,000 described as "matured funded debt of subsidiaries" represents the bonds of a subsidiary in process of reorganization under the Federal Bankruptcy Act, and of course will be refunded in some form, not liquidated. The remaining \$114,000 of the \$3,288,000 are bonds of a small subsidiary sold to other interests since the end of the year.

2. The \$2,809,250 appearing under funded debt of subsidiary companies due in 1938 includes \$2,000,000 of a subsidiary which has been refunded from time to time and, it is anticipated, will either be refunded again or otherwise taken care of when the necessary details have been worked out with regulatory commissions; and \$739,000 in bonds of another subsidiary, including \$677,000 for which application for refunding has been approved by the State regulatory commission having jurisdiction and is pending before the Securities and Exchange Commission.

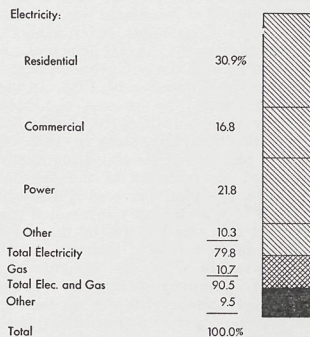
3. \$7,617,590 of notes payable (as indicated by notation on the balance sheet) are covered by collateral of subsidiaries, most of which is eliminated in consolidation but which, if sold to satisfy the obligations in behalf of which it is pledged, would materially improve the technical "current position", since not only would such sale be equivalent to the replacement of a short term by a long term obligation, but the excess of the value of the collateral at the date of the balance sheet over the face amount of the debt for which it is pledged would increase the net cash balance.

4. The notes and accounts payable include sizable amounts representing unfunded construction expenditures. For example, more than \$2,000,000 of such expenditures by one subsidiary included in notes and accounts payable at the date of the balance sheet has already been financed over a two year period and will ultimately be funded through the issue of long term debt or stock. Other similar purchase or construction obligations are carried temporarily as short term loans which has been extended and which there is every reasonable assurance will never have to be liquidated but will in time be satisfied by the issue of long term securities.

5. The item of "Consumers' Service and Line Deposits", \$5,858,785, which is sometimes technically classified as a "current liability", is certainly not a liability which must be promptly liquidated. Actually, new deposits are received, under normal operating conditions, a little faster than old deposits are refunded.

The difficulty of new financing under existing circumstances, especially that of raising new

SOURCES OF OPERATING REVENUES



equity money, is primarily responsible for the small cash balance and the relatively large amount of notes and accounts payable.

INTEREST SAVINGS—The savings in fixed interest charges effected by the Plan of Rearrangement of Debt Capitalization have been of considerable benefit to the Company during the past few years. Since the inauguration of the Plan in May, 1933, more than \$203,000,000 principal amount of Company fixed-interest debentures has been exchanged for debentures of Associated Gas and Electric Corporation, the Company's immediate subsidiary, or for income debentures of Associated Gas and Electric Company. This is about 77% of the entire amount outstanding. The purpose of the Plan was to reduce fixed interest charges of the Company. Accumulated savings in interest charges of approximately \$13,057,000 have resulted thus far. This saving is more than double the accumulated expenses of the Plan which to date amount to about \$6,193,000. The Escrow Agreement, under the terms of which the Recapitalization Plan operates, provides that the available net income (as defined in the Agreement) must be used, first, to absorb the expenses incident to the Plan; and, second, for retirement of debt securities of the Company and its subsidiaries. Such available net income to December 31, 1937 amounted to \$1,504,000, leaving \$4,689,000 of accumulated expenses to be absorbed before any retirement of debt.

Exchanges of outstanding debentures of this Company under its Plan of Rearrangement of Debt Capitalization have been suspended since the Company's registration, on March 29, 1938,

under the Public Utility Holding Company Act of 1935.

CERTIFICATES DUE—Of an original issue of approximately \$31,000,000 of Associated Gas and Electric Company 5½% Convertible Investment Certificates, approximately \$1,715,000 principal amount still outstanding with the public on September 15, 1938 becomes due November 15, 1938. In view of the barriers created by present conditions to financing by public utilities, especially holding companies, the Company early in 1938 offered holders part payment of the obligation in advance and requested an extension of the due date to 1939 and 1943. This plan was recently discontinued as the result of a preliminary injunction granted by the Court in a suit brought by the Securities and Exchange Commission, claiming that such extensions were in effect the issuance of new securities. The Company has recently been accepting tenders of these certificates at such prices (not in excess of par and accrued interest) as holders may designate.

INTEREST ON CONVERTIBLE OBLIGATIONS—On November 15, 1937 the Company informed holders of its Convertible Obligations that interest payments would have to be suspended. Payments in scrip had been resumed on October 1, 1936, and by the first of 1937 all unpaid accumulated interest had been paid in this manner. It was explained that because of the unfavorable trend of the Company's earnings, a declaration of interest on the Convertible Obligations would not be justified.

SUBSIDIARIES' BONDS AND PREFERRED STOCK ISSUED—During the year Rochester Gas and Electric Corporation sold two issues of 3¾% thirty-year bonds, aggregating \$6,000,000. The proceeds were used to finance additions to property.

Late in 1937, New York State Electric & Gas Corporation obtained authorization for issuance of preferred stock aggregating \$8,507,800 in par value, the purpose being to pay for needed new construction including rural line extensions, and for repayment of indebtedness to affiliated companies. The severe decline in financial markets which occurred just at the time the effort got under way prevented the sale of most of this stock. Recently, the Company obtained authorization for issuance of ten-year 5% Notes which may be issued (for construction) in lieu of the preferred stock, if desired.

REORGANIZATIONS AND ACQUISITIONS

PARENT COMPANY—The proceeding against the Company for involuntary reorganization under Section 77-B of the National Bankruptcy Act, was dismissed January 11, 1937 with the consent of all parties, following the making of a stipulation, as stated in last year's annual report.

In April 1937, claims for counsel fees and disbursements in connection with the reorganization proceedings, aggregating approximately \$875,000, were filed on behalf of some of those who had rendered services in those proceedings. One claim for \$21,703 was settled for \$5,375. On June 3, 1938, Hon. Alfred C. Cox, United States District Court Judge, awarded the remaining claimants an aggregate amount of approximately \$266,000 in full settlement of their claims. The validity of the stipulation under which the awards were made is in litigation.

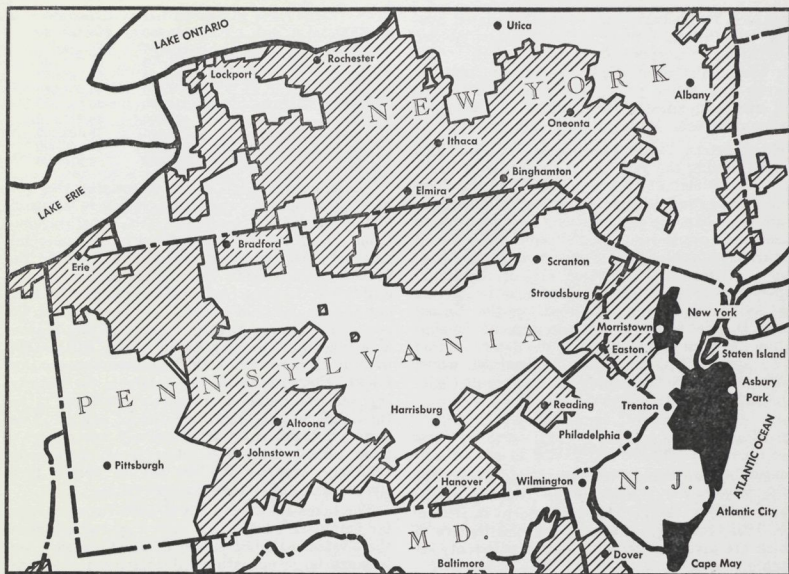
YORK RAILWAYS—York Railways Company, which operates a street railway system in and around York, Pennsylvania, and whose subsidiaries render electric, steam heating and bus service in the same area, on November 30, 1937 filed a voluntary petition for reorganization under Section 77-B of the National Bankruptcy Act. The filing of the petition was brought about by the inability of that Company to provide for the payment on December 1, 1937, of the bonds which matured on that day.

During the year 1937, the York Company had reduced the amount of outstanding bonds from \$6,106,000 to \$4,990,000 through the acquisition of bonds in the open market and had hoped to care for the maturity by its plan for a ten-year extension of the balance. In connection with this extension plan, the Company had agreed that no dividends would be paid on its capital stocks until the issue had been further reduced to \$4,000,000 or until either Metropolitan Edison Company or Pennsylvania Edison Company had assumed said issue of bonds pursuant to any merger or consolidation of the subsidiaries of the York Company. Just a few days before the maturity date, however, the Pennsylvania Public Utilities Commission issued an order authorizing the extension of only \$3,300,000 principal amount of the bonds, without making any provision whatsoever for the remainder. This made it impossible for the York Company to refund or extend the total amount of the issue.

York Railways Company instituted proceedings in the Superior Court of Pennsylvania to review the Commission's order. These proceedings have resulted in a reversal of that order with the statement "that the determination of the Commission is not supported by evidence, and that the order is so arbitrary and unreasonable as to amount to error of law."

EASTERN UTILITIES—A plan of reorganization under Section 77-B of the National Bankruptcy Act for Eastern Utilities Investing Corporation, a subsidiary investing company, was approved by the Court in July, 1937.

During 1938, the Federal government obtained an order from the United States District Court



PRESENT SERVICE IN TRI-STATE AREA AND JERSEY CENTRAL TERRITORY

Some 65% of customers served by Associated Gas and Electric Company subsidiaries are in a compact area in New York, Pennsylvania and New Jersey. The Company seeks to add the Jersey Central Power & Light Company to this group. Its franchise area is shown in black.

in Delaware granting permission to investigate Eastern Utilities Investing Corporation, whose assets (see footnote to consolidated balance sheet, page twenty-six) are insufficient to satisfy the Federal tax claims which have been asserted against it. The petition of the Government for this examination alleges that its purpose is to discover whether valid causes of action against Associated Gas and Electric Company and others exist, which if successfully prosecuted, would result in a recovery of additional assets.

JERSEY CENTRAL STOCK—For some time the Associated management has been interested in acquiring ownership of the Jersey Central Power & Light Company, which adjoins territory of the New Jersey Power & Light Company, a present subsidiary. Associated subsidiaries and cooperative interests as of September 1, 1938, owned approximately 91% of the combined outstanding 5% Debentures due 1978 and Certificates of Deposit therefor of National Public Service Corporation, which are secured by 712,411 common shares of Jersey Central Power & Light Company, repre-

senting two-thirds of the outstanding shares of the latter company. New Jersey Power & Light Company now owns the remaining one-third of this stock. This property will add substantially to the territory served by the System in the important industrial State of New Jersey. Applications for approval of a program to complete the acquisition, with the merger of the two properties as an objective, have been filed with the Public Utilities Commission of New Jersey and the Securities and Exchange Commission.

The Federal Power Commission has questioned the acquisition of the one-third of the Jersey Central stock by New Jersey Power & Light Company, without first obtaining that Commission's consent. This acquisition was approved by the Board of Public Utility Commissioners of New Jersey and the management's position is that the Federal Power Commission was without jurisdiction since the operations of Jersey Central Power & Light Company are entirely intrastate in character.

OTHER ACQUISITIONS—During the year, Bradford Electric Company, which operates in and around

Bradford, Pa., became part of the Associated System. In addition, control of Northeastern Water and Electric Corporation was acquired. The latter company owns the stocks of a number of electric and water properties in various States, and also had substantial holdings in preferred stocks of certain Associated subsidiaries.

Northeastern Water Companies, Inc., was also formed during the year for the purpose of limiting to it the liability for the \$2,100,000 purchase money obligation issued to acquire Northeastern Water and Electric Corporation. Being unable to raise the requisite funds to pay said obligation at maturity, Northeastern Water Companies, Inc., filed a petition under Section 77B of the Bankruptcy Act, as amended, for reorganization. While the petition has been dismissed by the United States District Court, the enforcement of the obligation has been stayed pending the determination of an appeal from the order of dismissal, which has been taken to the United States Circuit Court for the Second Circuit.

TAX ASSESSMENTS

The Company is actively contesting before the U. S. Board of Tax Appeals the jeopardy assessments made by the Federal government in December, 1935, for alleged back taxes, particulars of which are given in footnote 7 on page twenty-six of this report.

Existence of these unwarranted tax claims has been a serious hindrance to financing. It has prevented the sale of bonds, the proceeds of which would have provided funds for new construction; the result is that it has been impossible to make some desirable additions to, or improvements of, existing facilities for service and payment of those which have been completed has proved a heavy drain on available cash. Moreover, these claims have also interfered with the refunding at lower rates of many securities of operating subsidiaries, which would have resulted in substantial savings in interest charges.

TAXATION

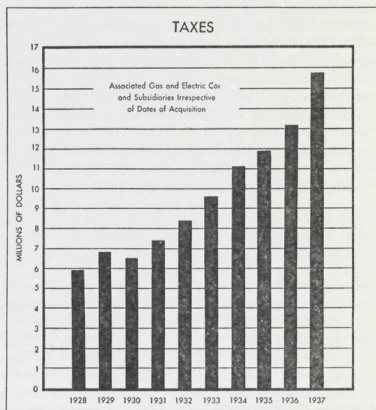
TAXES AT \$15,754,000—Taxes on Associated Gas and Electric Company and its subsidiaries amounted to \$15,754,411 for 1937, which is equivalent to \$43,163 a day, Sundays and holidays included. Huge as is this total, it is not so alarming as the rate at which the tax burden is increasing. For the year 1937 taxes were 20% or \$2,607,763 higher than in the previous year. Since 1928, annual taxes on present subsidiaries of the Company have increased nearly \$10,000,000 and total taxes for the ten-year period amounted to over \$96,000,000, as indicated in the following table:

	For the Year	Cumulative
1937.....	\$15,754,000	\$96,608,000
1936.....	13,146,000	80,854,000
1935.....	11,927,000	67,708,000
1934.....	11,124,000	55,781,000
1933.....	9,568,000	44,657,000
1932.....	8,378,000	35,089,000
1931.....	7,403,000	26,711,000
1930.....	6,508,000	19,308,000
1929.....	6,830,000	12,800,000
1928.....	5,970,000	5,970,000

The annual tax bill of the Associated Gas and Electric Company and subsidiaries is approximately \$2,285,000 more than the total revenue from all of its 316,213 residential, commercial, and industrial gas customers, or is equal to the revenue from 425,000 average residential electric customers. In some companies more than 20 cents out of each dollar of revenue is turned over to the tax collector. The System expects to pay reasonable taxes but the increase of nearly \$10,000,000 in annual taxes since 1928 absorbs income that might otherwise have been available for improving service, reducing rates, or providing a return sufficient to attract additional capital. Customers will not enjoy progressively lower rates if these taxes continue to increase as at present; similarly, security holders cannot obtain their just return under these circumstances.

The taxes are equivalent to \$768 for each regular employee on the pay roll. Pay roll is one of the System's largest single items of expense, but in some large operating subsidiaries, taxes equal or exceed pay roll. Taxes aggregate an amount equal to 45% of pay roll, against 39% a year ago.

If taxes on the Associated Gas and Electric Company and subsidiaries bore the same relation



to gross earnings as they did in 1929, there would be \$8,300,000 more available for interest and dividends, for increasing pay roll, for new construction, or other System requirements. This amount is enough to pay interest at 5% on \$166,000,000 of securities or would provide sufficient income after debenture interest charges of the Company to pay annual interest requirements on Convertible Obligations, annual dividend requirements on Preferred and Preference stocks, and still leave a balance of about 90 cents a share on the 4,583,000 shares of Class A stock now outstanding.

CLASSIFICATION OF TAXES—A comparative schedule of taxes for the years 1937 and 1936 is shown below:

Federal:	1937	1936
Income (normal and undistributed profits).....	\$ 2,884,457.25	\$ 2,359,457.74
Electric energy	1,743,490.92	1,612,685.71
Capital stock and excess profits	373,738.81	371,275.92
Old age benefits.....	240,378.44	—
Unemployment insurance..	63,835.79	52,145.86
Other	148,038.88	156,914.68
Total	\$ 5,453,940.09	\$ 4,552,479.91
State:		
Gross earnings	\$ 1,585,057.87	\$ 1,396,108.00
Emergency gross receipts	507,596.23	1,432.02
Income	651,053.00	518,368.78
Property and franchise...	855,917.37	776,792.55
Unemployment insurance..	454,714.12	227,099.83
Capital stock	651,158.12	481,470.97
Other	325,823.45	296,413.02
Total	\$ 4,991,320.16	\$ 3,697,685.17
Local:		
Real estate	\$ 4,278,204.47	\$ 4,010,426.71
Franchise	233,963.57	212,942.97
Gross earnings	176,408.04	239,405.78
Emergency gross receipts	92,730.47	—
Other	221,443.60	200,344.64
Total	\$ 5,002,750.15	\$ 4,663,120.10
Miscellaneous	\$ 306,399.95	\$ 233,361.92
Combined total.....	\$15,754,410.35	\$13,146,647.10

The above captions describe some of the various forms of taxation; in all there are more than 40 different kinds of taxes levied on companies in the Associated System.

GOVERNMENT POLICIES

PUBLIC UTILITY ACT—On March 28, 1938, the United States Supreme Court, in a suit brought by the Government against the Electric Bond and Share Company, held constitutional the registration provisions of the Public Utility Holding Company Act of 1935. On March 29, 1938, Associated Gas and Electric Company and certain of its subsidiary holding companies registered as holding companies under the Act. It had previously

joined with several of its subsidiaries as plaintiffs in a suit in equity asking that the Act be adjudged unconstitutional. Most of the other important utility holding companies of the country also brought such suits.

The action of the Court in ruling only on the registration provisions of the Act leaves open the question of the constitutionality of all the regulatory provisions which have been the cause for so much apprehension on the part of utilities.

The properties of Associated Gas and Electric Company in New York, Pennsylvania and New Jersey, where 65% of its customers are concentrated, represent a closely integrated and interconnected group which would form a strong nucleus of properties even in the event it becomes necessary under the Act to dispose of some of the more distant holdings.

INTEGRATION AND SIMPLIFICATION—In compliance with the letter, dated August 3, 1938, of the Honorable William O. Douglas, Chairman of the Securities and Exchange Commission, and pursuant to certain resolutions adopted by the Board of Directors of Associated Gas and Electric Company, a committee has been appointed to prepare a tentative plan of integration and simplification looking towards compliance with Section 11 of the Public Utility Holding Company Act of 1935, for submission to said Commission.

The process of elimination through merger, consolidation, or dissolution, companies whose separate corporate existence has served its purpose, was continued during the year. This simplification of the System's corporate structure has taken place largely since 1922, during which period 351 corporations have been so eliminated, and substantial economies have been thus effected.

During the past year eight companies have been eliminated. The most important units were New York Central Electric Corporation and Empire Gas and Electric Company, with a combined gross annual revenue of approximately \$5,250,000, which were merged into New York State Electric & Gas Corporation as soon as the necessary consent of the Public Service Commission of New York could be obtained. The New York State company is now the largest operating company in the System, with total gross revenue of about \$24,000,000 annually. The number of companies eliminated in each of the past years is as follows:

1922.....	2	1930.....	19
1923.....	1	1931.....	22
1924.....	18	1932.....	27
1925.....	17	1933.....	27
1926.....	33	1934.....	15
1927.....	34	1935.....	44
1928.....	19	1936.....	22
1929.....	43	1937.....	8

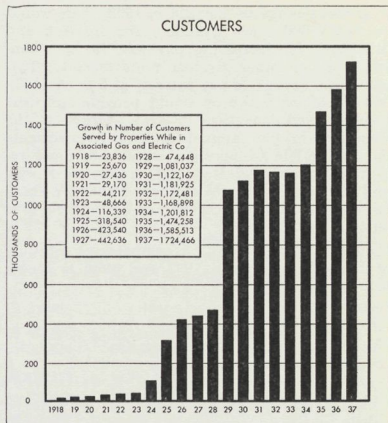
RATE REDUCTIONS—Many rate reductions ordered by regulatory authority in recent years have produced an "unfair" or uneconomic reduction in net income. Uneconomic reductions in rates are those which do not encourage sufficiently greater use of the service to result shortly in increased net revenues, but instead cut down net earnings to a point where investment in public utility equities is no longer attractive to those who have capital to invest. There is considerable evidence that this point has now been, or is just about to be, reached by the electric and gas industries.

To an unfortunate extent, regulatory commissions have not applied either economic or legal principles in their recent orders for rate reductions, nor have they made careful studies of the long term economic effect of the new rates. Instead, rate reductions have been the result of compromises reached by a process of offer and counter proposal, until a figure was arrived at which the utility affected could accept as something less than a fatal loss in earnings, and which the Commission could point to as substantial evidence of its service to the community. Inevitably, such a process of rate-making often results in the acceptance, by the utility, of rate reductions which leave less income for the investor than he is legally, morally, and economically entitled to—simply because the involved and long drawn out procedure necessary to establish the investor's rights may cost him more than he could gain by winning his case.

MUNICIPAL OWNERSHIP ACTIVITY—Political agitation for municipal ownership of utilities has had its effect in the Associated areas as well as elsewhere. Since November, 1933, referendums have been held in nineteen Associated communities to determine whether or not municipally owned and operated electric plants shall be constructed. Of these nineteen, thirteen had complete generation and distribution under consideration. Eleven of these proposals have been approved by the voters although none of the plants has actually been built. Some 6,200 communities are served by Associated subsidiaries.

MANAGEMENT

During the early part of 1938, the Utilities Mutual Management Association, Inc., and its subsidiary management, engineering, and purchasing units were combined into one company under the name of The Utility Management Corporation. This company is entirely owned by the companies in the Associated Gas & Electric System and services are rendered on a mutualized basis. In compliance with the Public Utility Holding Company Act of 1935 application was made to the Securities and Exchange Commission, in April 1938, for approval of this arrangement of providing mutualized services.



Services in connection with accounting, finance, tax, and administrative matters continue to be furnished by Utility Auditors and Tax Consultants and similar organizations which are not part of the Associated Gas & Electric System. A number of employees of these organizations occupied, until recently, the positions of officers and directors of System companies as a part of their employment and, prior to their resignations, performed the duties incident thereto.

AUDITING

In accordance with established policy, the accounts of Associated Gas and Electric Company and subsidiaries for the year 1937 have been examined by independent certified public accountants. A copy of the accountants' report appears on pages sixteen to twenty-seven, inclusive.

In recognition of changes in generally accepted accounting principles as to the distinction between earned surplus and capital surplus, the Company, as of December 31, 1937, transferred its corporate deficit to capital surplus, and in preparation of consolidated statements all surpluses (less deficits) of subsidiaries have been treated as capital surplus. This should render unnecessary any question as to whether certain charges against capital surplus in prior years should have been made against corporate surplus.

In addition to the examinations by independent certified public accountants, the accounts of the various subsidiaries are periodically audited in detail by men who are especially qualified by training and experience for this work. Such audits also

include investigation of the efficiency of the subsidiaries' systems, methods, accounting personnel, etc.

PAY ROLL AND EMPLOYEES

During the year there was an increase of 540 in the number of regular employees, a decrease of 782 in temporary employees, and an increase of \$1,804,129 in pay roll. Comparisons with previous years follow:

	Total Pay Roll	Regular Employees	Temporary Employees
1937.....	\$35,204,522	20,494	1,652
1936.....	33,400,393	19,954	2,434
1935.....	30,162,256	19,798	2,493

EMPLOYEES' WELFARE PROGRAM

Companies in the Associated System are now providing for their employees a well-rounded Welfare Program which includes an Insurance Plan, to provide for the families of deceased or disabled employees; an Investing Plan, to encourage employees to save during their productive years; and a Pension Plan, to enable them to retire when they are no longer able to do a full day's work for a full day's pay. In addition, Credit Unions have been encouraged by the Management, in order to assist employees in current financing.

INSURANCE PLAN—The benefits of the Associated Insurance Plan were extended during 1937 to some 4,500 additional employees of the Company and its subsidiaries. Most of these employees were in companies acquired in recent years. Approximately 16,600 employees are now protected by the Plan, which has been in effect since 1932. Under it employees are given both ordinary and group policies. Total amount of insurance in force is \$68,019,543. The Plan has paid 662 death claims, amounting to \$2,365,000. About 35% of the employees who died since the plan has been in force carried no other insurance. Another 19% had \$500 or less. As a contribution to the welfare of employees, part of the cost of this insurance is paid by Associated companies. For 1937, the net cost of insurance borne by employer subsidiaries of Associated Gas and Electric Company, after applying dividends against the gross premiums, was approximately \$640,000 or 1.8% of the total pay roll of such subsidiaries. The insurance is underwritten by four of the largest insurance companies in the country: the Aetna, Equitable, John Hancock, and Prudential companies.

INVESTING PLAN—The Employees' Investing Plan is an arrangement whereby a fixed percentage of an employee's pay is invested in Income Notes due 1941 of Utilities Employees Securities Company. So long as the purchaser remains in the employ of companies in the Associated System, he

receives interest of 6% on the face amount of such securities, and an additional 2%, making a total of 8% annually. In 1937, employees received further additional interest of 1%, or a total of 9% for that year. Those subsidiaries of Associated Gas and Electric Company which have adopted the Plan contribute one dollar to Utilities Employees Securities Company for every three dollars subscribed by their respective employees. For 1937, this contribution amounted to about \$489,000 or 2.1% of the pay roll of the contributing companies. These payments increase the value of Income Notes as investments.

As previously mentioned, Utilities Employees Securities Company has recently applied for exemption from the Public Utility Holding Company Act of 1935 on the grounds that it is not a subsidiary of Associated Gas and Electric Company. At this writing, hearings are being held in connection with this application.

PENSION PLAN—During the year most of the operating companies adopted a Pension Plan recommended to them by Employees Welfare Association of the Associated System. The purpose of the Plan is to provide moderate retirement incomes in addition to those which may be payable under the Social Security Act, to be guaranteed either by an annuity contract with a life insurance company or by an irrevocable trust fund or by a combination of the two. The details of the Plan and its actuarial soundness have been supervised by Towers, Perrin, Forster & Crosby of Philadelphia, an organization which is nationally known for its experience with funded pension plans for corporate employers. The cost of the benefits to be provided will be borne entirely by the employer and will average less than 6% of the pay roll of companies participating in the Plan although a few companies with a relatively large number of employees in the higher age groups will pay a somewhat higher percentage. Experience has abundantly shown that the employer must carry a substantial part of the burden of caring for superannuated or prematurely disabled employees simply to insure the continuous efficiency of employed personnel. The Plan adopted this year is nothing more than a formal and systematic recognition of this necessity.

A number of companies which adopted the Plan during 1937 found that with the rapid progress of the industrial depression during the latter part of the year it was impracticable for them to make current payments into the Pension Fund, and such payments have been suspended until funds are again available. This will mean, for certain companies, postponement of the time when the full actuarial requirements of the Plan can be met.

The Pennsylvania Public Utility Commission has instituted an investigation to determine whether, in adopting the Pension Plan, the operating companies in Pennsylvania violated the public utility law of that State which requires approval of the Pennsylvania Public Utility Commission before an operating company, subject to their regulation, may enter into a contract with an affiliate of such operating company. The Pension Plan is operating in accordance with a contract between these companies and the Trustee of the pension fund, and not with an affiliated company.

CREDIT UNIONS—Credit Unions are strictly employee organizations, incorporated under the banking laws of the States in which they operate, and supervised by the banking departments of these States. They are owned, financed and operated by their members, who are employees of companies in the Associated System. There is no single Credit Union for the whole System, but groups and companies have their own Unions. Employees who are members pool their savings in the Credit Union. When they need cash, they can withdraw these savings. Other member employees who need money to meet the expense of sickness, taxes, insurance premiums, or other financial burdens, can borrow from the Union.

SAFETY WORK—Safety work is carried on for humanitarian reasons as well as for the practical effect of decreasing losses in time which are caused by accidents to employees. Insurance rates are also lower as a result of these activities. Employees engaged in a System-wide accident-prevention contest in 1937. Companies were divided into three groups, according to size, and bronze plaques awarded to the companies with the best accident-prevention records. Winning companies were Staten Island Edison Corporation, York Railways Company, and Virginia Public Service Company.

ADVANTAGES OF GROUP MANAGEMENT

Owners of holding company securities have been concerned over recent suggestions that holding companies perform no economic function and should be eliminated by law. Such suggestions certainly fail to recognize that the largest com-

panies in the principal industries are holding companies, whether these industries be motors, steel, publishing, chemicals, railroads, or electric and gas utilities, and that the industrial development in the United States has largely taken place under a system of holding company control and management.

Holding companies have been more useful than any other business device in making possible the widespread use of electricity and gas, telephone service, automobiles, and of most of the other things which make our American standard of living the highest in the world. Though much has been accomplished, much remains to be done. As long as we cling to our standard of living and try to improve it, so long will we find in the holding company an indispensable instrument for those large-scale business operations which are needed in making products and services of high quality available at prices which some thirty million families can afford.

The group or centralized management and supervision of the System has played a large part in improving and extending service to customers who had none or only partial service before; in raising large sums for new construction to serve existing customers, as well as for extensions to serve new customers and in bringing about many economic rate reductions in the interests of both its customers and security holders. The need for such management and supervision is greater than ever before because of the increasing complexity of the problems of the System and the Industry, particularly those relating to State and Federal taxes and regulation of financial and corporate practices, as well as rates for utility services. Highly technical problems are involved and a competent staff is required in the preparation of innumerable reports which must be prepared in connection with these matters for the various governmental agencies.

Respectfully submitted,

For the Board of Directors,

J. I. MANGE,
President.

October 11, 1938.

Geographical Distribution of Registered and Coupon Security Holders

of

ASSOCIATED GAS AND ELECTRIC COMPANY

and

ASSOCIATED GAS AND ELECTRIC CORPORATION

As of June, 1938

	<i>Associated Gas and Electric Company</i>	<i>Associated Gas and Electric Corporation</i>		<i>Associated Gas and Electric Company</i>	<i>Associated Gas and Electric Corporation</i>
Alabama	99	84	Nevada	34	16
Arizona	52	20	New Hampshire	1,722	334
Arkansas	206	246	New Jersey	6,762	3,436
California	6,375	4,770	New Mexico	31	22
Colorado	871	261	New York	53,319	24,261
Connecticut	2,096	659	North Carolina	205	63
Delaware	244	185	North Dakota	60	50
District of Columbia.....	579	280	Ohio	1,364	1,059
Florida	904	753	Oklahoma	280	166
Georgia	338	99	Oregon	356	299
Idaho	54	42	Pennsylvania	31,983	16,553
Illinois	8,012	4,070	Rhode Island	1,618	446
Indiana	901	905	South Carolina	574	476
Iowa	556	736	South Dakota	489	151
Kansas	102	147	Tennessee	642	425
Kentucky	2,034	1,120	Texas	854	537
Louisiana	375	841	Utah	152	23
Maine	1,099	746	Vermont	279	156
Maryland	1,270	719	Virginia	399	151
Massachusetts	9,136	4,819	Washington	1,491	412
Michigan	1,280	1,293	West Virginia	239	89
Minnesota	1,234	620	Wisconsin	1,928	2,012
Mississippi	40	30	Wyoming	95	23
Missouri	1,021	1,184	Total United States	144,230	76,243
Montana	115	89	U. S. Possessions and Foreign	11,088	3,304
Nebraska	361	365	Grand Total	155,318	79,547

ASSOCIATED GAS AND ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES

ACCOUNTANTS' CERTIFICATE

CONSOLIDATED STATEMENTS

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1937 (EXHIBIT A).

CAPITAL STOCK OF ASSOCIATED GAS AND ELECTRIC COMPANY (SCHEDULE 1).

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31, 1937 (EXHIBIT B).

STATEMENT OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1937 (EXHIBIT C).

PARENT COMPANY STATEMENTS

BALANCE SHEET, DECEMBER 31, 1937 (EXHIBIT D).

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1937 (EXHIBIT E).

STATEMENT OF CORPORATE AND CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1937 (EXHIBIT F).

ACCOUNTANTS' CERTIFICATE

Associated Gas and Electric Company:

We have made an examination of the balance sheet of Associated Gas and Electric Company (incorporated in New York) and the consolidated balance sheet of the Company and its subsidiaries as of December 31, 1937 and of the related statements of income and surplus for the year 1937. In connection therewith, we made a review of the accounting methods and examined or tested accounting records of the companies, except certain subsidiaries which were examined by other independent accountants, and other supporting evidence in a manner and to the extent which we considered appropriate in view of the systems of internal accounting control.

As to the subsidiaries examined by other independent accountants, the amounts included in the accompanying consolidated statements are as shown by their reports except for minor reclassifications to conform to the general classifications used in consolidation. The book value of the assets of the companies examined by other accountants amounted to approximately 25% of the total consolidated assets at December 31, 1937 and the gross operating revenues of such companies included in the consolidated statements amounted to approximately 27% of the consolidated operating revenues for the year 1937.

It is the accounting policy of the operating companies, in most instances, to make provision for retirements, renewals and replacements of fixed capital in amounts which when added to maintenance expenditures equal fixed percentages of gross operating revenues less gas or power purchased. In the major exceptions to the foregoing the provision is based on percentages of operating revenues without deduction for maintenance expenditures or is in amounts as determined by the management, which amounts have been in excess of the requirements of the bond indentures. In the case of automobiles and coaches provision is made for depreciation on the basis of the estimated life or on a mileage basis, and in certain other instances provision is made for depreciation on the basis of

the estimated life. The bases and rates of provision were in some instances changed during the year, the net result being an increase of approximately \$572,000 in the provision for the year.

During the year Associated Gas and Electric Company reinstated debt discount and expense applicable to bonds still outstanding which had previously been written off. The amortization of debt discount and expense as shown in the accompanying statements of income represents, with relatively minor exceptions, amortization of debt discount and expense on outstanding indebtedness (or prior indebtedness refunded thereby) of the issuing companies. Losses on sales of bonds by other than the issuing companies have not been treated as debt discount but have been currently charged off as sustained. Credits for discount on bonds held intercorporately at less than par have been applied in consolidation either in reduction of unamortized debt discount and expense or as an addition to capital surplus.

Subsequent to December 31, 1937 Associated Gas and Electric Company, by resolution of the Board of Directors, transferred its corporate (earned) deficit as of that date to capital surplus and in consolidation all surpluses (less deficits) of subsidiaries have been treated as capital surplus, thus obviating any question as to whether certain charges against capital surplus in prior years should have, in accordance with the present generally accepted accounting principles, been made against corporate (earned) surplus.

In our opinion, based on our examination and upon the reports of other accountants as to the companies whose accounts were not examined by us, and subject to the fact that we are not in a position to express an opinion as to the contingent liability for Federal income taxes (see footnote to the consolidated balance sheet) or as to the provisions for retirements, renewals and replacements (or depreciation) of fixed capital, the accompanying balance sheets and related statements of income and surplus, with the footnotes thereon, fairly present, in accordance with accepted principles of accounting consistently followed by the companies (subject to the explanations in the two preceding paragraphs), the financial condition of the Company and of the Company and subsidiaries consolidated as of December 31, 1937 and the results of their operations for the year.

HASKINS & SELLS

New York,
August 12, 1938.

Associated Gas and Electric Company
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1937

ASSETS

FIXED CAPITAL:

Plant, property, equipment, etc. at estimated reproduction cost (shown in memorandum accounts in the case of certain companies) including going value and other intangibles at various dates of revaluation (with relatively minor exceptions), plus subsequent additions at cost, less retirements (includes approximately \$7,000,000 which has been disallowed in the Federal Power Commission's determination of original cost of three projects, the disposition of which has not been determined, and approximately \$800,000 reported as in process of or subject to retirement) and \$56,871,111.52 uneliminated balance of investments in subsidiaries (see Note 1) \$ 914,783,950.04

INVESTMENTS—(see Note 1):

In affiliated companies (including advances, open accounts, etc.) at cost or companies' valuation	\$40,328,213.20	
Other investments (\$5,542,028.51 at cost or companies' valuation; \$7,231,839.29 at the lower of values based on market quotations or carrying value)—(\$2,316,325.32 pledged)	12,773,867.80	53,102,081.00

DEPOSITS FOR MATURED BONDS AND BOND INTEREST, ETC. (contra)		2,260,895.37
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DEPOSITS FOR SINKING FUNDS, CONSTRUCTION, ETC. (includes \$32,244.94 cash held in escrow—see Note 3)		2,660,095.16
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CASH (including working funds)		8,997,361.20
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NOTES AND ACCOUNTS RECEIVABLE:

Consumers	\$ 9,059,777.36	
Appliances—instalment accounts (including \$352,236.71 pledged as additional security for appliance accounts receivable sold)	2,031,772.63	
Miscellaneous (including \$101,793.87 due from employees)	1,354,889.53	12,446,439.52

MATERIALS, SUPPLIES AND MERCHANDISE—including construction materials (book inventories)		6,068,072.31
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APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra)		4,949,996.62
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PREPAID EXPENSES		1,162,106.27
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UNAMORTIZED DEBT DISCOUNT, PREMIUM AND EXPENSE		28,490,290.80
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MISCELLANEOUS UNADJUSTED DEBITS		2,895,072.74
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TOTAL		<u>\$1,037,816,361.03</u>
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SEE NOTES ON PAGE TWENTY-SIX WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT A

Associated Gas and Electric Company and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1937

LIABILITIES

CAPITAL STOCK AND SURPLUS (including capital surplus reserved for conversion of debentures):		
Capital stock of Associated Gas and Electric Company (see Notes 2 and 3)—Schedule 1	\$100,430,818.00	
Consolidated surplus:		
Capital surplus reserved for conversion of debentures.....	28,045,480.00	
Capital—Exhibit C	19,816,434.33	
Corporate—Exhibit C	—	\$ 148,292,732.33
CAPITAL STOCK OF SUBSIDIARY COMPANIES HELD BY PUBLIC (including surplus applicable thereto):		
General Gas & Electric Corporation (\$15,518,000 of equivalent rank with stocks of Associated Gas and Electric Company):		
Preferred (including accrued cumulative dividends not currently being paid).....	\$ 5,820,322.10	
Common	14,125,190.57	
Other subsidiary companies:		
Preferred	71,764,264.16	
Common and participating.....	2,176,615.74	93,886,392.57
OBLIGATIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY CONVERTIBLE INTO STOCK AT COMPANY'S OPTION (less \$4,327,300 in escrow—see Note 3).....		
		49,262,610.00
SCRIP CERTIFICATES FOR INTEREST ON CONVERTIBLE OBLIGATIONS OF ASSOCIATED GAS AND ELECTRIC COMPANY (less \$919,551.25 in escrow—see Note 3).....		
		11,709,562.11
FUNDED DEBT AND INTEREST-BEARING SCRIP:		
Associated Gas and Electric Company.....	\$268,176,557.22	
Less fixed interest debentures deposited and held by escrow agents under Plan of Rearrangement of Debt Capitalization.....	203,296,680.00	
Remainder (including \$3,877,337.22 due in 1938).....	\$ 64,879,877.22	
Subsidiary companies:		
Associated Gas and Electric Corporation.....	144,514,960.00	
Other subsidiary companies (including \$2,809,250 due in 1938).....	388,776,166.79	598,171,004.01
MATURED BONDS AND BOND INTEREST, ETC. (contra).....		
		2,260,895.37
MATURED FUNDED DEBT OF SUBSIDIARIES (in process of reorganization).....		
		3,288,000.00
NOTES AND ACCOUNTS PAYABLE TO AFFILIATED COMPANIES (\$176,058.88 represents lien on automotive equipment).....		
		362,302.79
NOTES PAYABLE (includes \$7,617,590.01 with collateral).....		
		11,658,064.82
ACCOUNTS PAYABLE		
		7,025,446.43
DIVIDENDS ACCRUED ON PREFERRED STOCKS OF SUBSIDIARY COMPANIES (\$1,944.15 declared)		
		235,436.12
TAXES ACCRUED		
		7,879,961.16
INTEREST AND MISCELLANEOUS ACCRUALS (less \$6,216.00 accrued interest on securities in escrow—see Note 3).....		
		9,608,613.27
CONSUMERS' SERVICE AND LINE DEPOSITS		
		5,858,784.62
APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra).....		
		4,949,996.62
RESERVE FOR RETIREMENTS, RENEWALS AND REPLACEMENTS OF FIXED CAPITAL (including adjustments resulting from revaluation).....		
		70,907,076.38
RESERVE FOR PRIOR YEARS' FEDERAL INCOME TAXES (subject to final determination see Note 7).....		
		3,660,150.63
RESERVE FOR DOUBTFUL ACCOUNTS RECEIVABLE		
		1,265,819.84
CONTRIBUTIONS FOR EXTENSIONS—NON-REFUNDABLE		
		3,134,535.83
MISCELLANEOUS RESERVES AND UNADJUSTED CREDITS (including \$190,988.75 accrued cumulative dividends not currently being paid on preferred stocks of subsidiaries).....		
		4,398,976.13
TOTAL		<u>\$1,037,816,361.03</u>

SEE NOTES ON PAGE TWENTY-SIX WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT A

Associated Gas and Electric Company
and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME

For the year ended December 31, 1937

(Including companies acquired in 1937 from dates of acquisition only)

OPERATING REVENUES:

Electric	\$101,068,927.94	
Gas	13,691,986.20	
Steam heating, water, ice, transportation, etc.....	10,838,167.02	\$125,599,081.16

OPERATING EXPENSES AND MAINTENANCE:

Operating expenses	\$ 55,528,994.41	
Maintenance	9,085,360.52	64,614,354.93

BALANCE BEFORE TAXES AND PROVISION FOR RETIREMENTS..... \$ 60,984,726.23

PROVISION FOR TAXES (including Federal income taxes)..... 15,442,225.38

BALANCE BEFORE PROVISION FOR RETIREMENTS..... \$ 45,542,500.85

PROVISION FOR RETIREMENTS, RENEWALS AND REPLACEMENTS OF FIXED CAPITAL..... 10,876,466.28

OPERATING INCOME \$ 34,666,034.57

OTHER INCOME (net):

Interest, dividends, etc. (including \$526,288.10 income of a subsidiary arising from charges taken up by other subsidiaries in operating expenses).....	\$ 2,289,792.05	
Less: Non-operating expenses	432,269.32	1,857,522.73

GROSS INCOME \$ 36,523,557.30

DEDUCTIONS FROM INCOME:

Subsidiary companies:

Operating utility and group companies:

Interest on funded debt.....	\$ 18,305,868.66	
Interest on unfunded debt.....	1,335,197.94	
Less: Interest charged to construction (credit).....	162,793.35	
Amortization of debt discount and expense.....	1,441,391.08	
Dividends on preferred stocks paid or accrued.....	4,477,078.11	
Minority interest in net earnings.....	226,351.35	25,623,093.79

BALANCE \$ 10,900,463.51

Associated Gas and Electric Corporation:

Interest on fixed interest debentures.....	\$ 2,052,514.77	
Interest on income debentures.....	4,156,041.38	
Amortization of debt discount and expense.....	77,837.08	6,286,393.23

BALANCE \$ 4,614,070.28

Associated Gas and Electric Company:

Interest on fixed interest debentures.....	\$ 3,062,401.29	
Interest on income debentures.....	136,685.49	
Other interest	186,278.03	
Amortization of debt discount and expense.....	314,633.14	3,699,997.95

BALANCE OF INCOME (exclusive of charges referred to in note below)..... \$ 914,072.33

SEE NOTES ON PAGE TWENTY-SIX WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT B

**Associated Gas and Electric Company
and Subsidiary Companies**

STATEMENT OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1937

	<i>Corporate Surplus</i>	<i>Capital Surplus</i>
BALANCE—JANUARY 1, 1937.....	\$11,842,656.08*	\$ 65,899,548.75
Adjustments arising from reinstatement of unamortized debt discount and expense of Associated Gas and Electric Company as of January 1, 1936 and miscellaneous transfers from capital surplus to corporate surplus.....	<u>790,024.17</u>	<u>6,804,153.80</u>
BALANCE—JANUARY 1, 1937, as adjusted.....	\$11,052,631.91	\$ 72,703,702.55
ADDITIONS:		
Balance of income for the year 1937—Exhibit B.....	914,072.33	—
Reversal of accrued but unpaid dividends on subsidiaries' preferred stocks reacquired	642,631.07	—
Adjustment of minority interest in surplus of subsidiaries.....	541,043.77	2,312,497.99
Net proceeds from investments and accounts receivable previously written off.....	330,691.46	669,495.76
Surplus arising from reduction in stated value of stocks of Associated Gas and Electric Company	—	102,933,907.55
Surplus of subsidiaries acquired during the year, including surplus arising from their inclusion in consolidation.....	—	6,247,035.18
Discount on debentures and obligations of Associated Gas and Electric Company acquired by subsidiaries.....	—	1,273,547.87
Discount on obligations of Associated Gas and Electric Company convertible into stocks at Company's option and obligations called for stocks of Company, and debentures of Eastern Utilities Investing Corporation retired.....	—	624,265.49
Portion of fixed capital and suspense to be amortized, previously charged to capital surplus, now charged to current operations or retirement reserve.....	—	399,396.95
Discount on reacquired or retired debentures and scrip certificates of Associated Gas and Electric Company.....	145,194.33	—
Sundry adjustments of surplus of subsidiaries as of dates of acquisition.....	—	104,709.58
Miscellaneous	<u>184,952.99</u>	<u>291,702.73</u>
TOTAL	<u>\$12,729,130.32</u>	<u>\$187,560,261.65</u>
DEDUCTIONS:		
Expenses of Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company, including expense of litigation in connection therewith.....	\$ 634,078.95	—
Interest on obligations of Associated Gas and Electric Company convertible into stock at Company's option, payable only as declared (paid in scrip) and other charges ranking therewith.....	2,141,922.21	—
Unamortized debt discount and expense on debentures of Associated Gas and Electric Company retired.....	163,098.46	—
Net premium and discount on reacquisition, retirement and sale of bonds.....	223,597.64	—
Reversal of accrual in prior periods of interest receivable on income notes of affiliated company.....	161,860.69	—
Reduction in carrying value of investments in affiliated companies and other investments	2,331,916.73	20,738,368.85
Additional surplus applied in consolidation against carrying value of investments in subsidiaries	810,527.25	9,739,790.57
Carrying value of subsidiary companies' investments in stocks of Associated Gas and Electric Company written off in consolidation and consolidated adjustment due to conversion of intercorporately-held convertible obligations into such stocks	—	135,772,576.15
Transfers between corporate and capital surplus.....	629,165.95	<u>629,165.95</u>
Capital stocks of Associated Gas and Electric Company reacquired (retired, or in treasury, or in escrow).....	—	6,366,151.47
Excess reproduction cost of fixed capital retired.....	—	309,204.02
Fixed capital retirements charged to surplus of subsidiaries as of dates of acquisition	—	497,067.74
Decrease in excess of discounts on bonds of subsidiary companies held intercorporately over unamortized debt discount and expense.....	—	274,524.22
Miscellaneous	<u>76,986.61</u>	<u>231,286.08</u>
TOTAL	<u>\$ 7,173,154.49</u>	<u>\$173,299,803.15</u>
BALANCE	\$ 5,555,975.83	\$ 14,260,458.50
TRANSFER OF CONSOLIDATED CORPORATE SURPLUS, AT DECEMBER 31, 1937, TO CONSOLIDATED CAPITAL SURPLUS.....	<u>5,555,975.83</u>	<u>5,555,975.83</u>
BALANCE, December 31, 1937.....	<u>—</u>	<u>\$ 19,816,434.33</u>

SEE NOTES ON PAGE TWENTY-SIX WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT C

Associated Gas and Electric Company

BALANCE SHEET

December 31, 1937

(Reflecting Transfer of Corporate Deficit to Capital Surplus Authorized in March 1938 as of December 31, 1937)

ASSETS

INVESTMENT IN SUBSIDIARY—ASSOCIATED GAS AND ELECTRIC CORPORATION (see Note 1):

Common stock—671,000 shares of no par value (entire issue), at Company's valuation	\$358,019,875.00	
Notes receivable (subordinated to all other indebtedness of the corporation):		
5% income note, due December 1, 1980.....	71,805,220.00	
Non-interest-bearing note, due December 1, 1983.....	10,000,000.00	
Account receivable.....	1,643,468.00	
Dividends receivable.....	210,000.00	\$441,678,563.00

DEPOSITS FOR MATURED INTEREST, DIVIDENDS PAYABLE, AND MATURED SCRIP, ETC.....	206,586.38	
DUE FROM ASSOCIATED GAS AND ELECTRIC SECURITIES COMPANY, INC. (DEL.)—RECEIVABLE IN SECURITIES OF ASSOCIATED GAS AND ELECTRIC COMPANY UNDER EXCHANGE OFFER.....	17,000.00	
CASH (in escrow—see Note 2).....	32,244.94	
CASH	1,589.39	
MISCELLANEOUS UNADJUSTED DEBITS.....	1,381.40	
UNAMORTIZED DEBT DISCOUNT AND EXPENSE.....	6,830,469.68	
CONTRA TO LIABILITY FOR ASSUMPTION OF BONDS OF SUBSIDIARY COMPANY, DUE 1953, INCLUDED IN FUNDED DEBT	1,000,000.00	
TOTAL		<u>\$449,767,834.79</u>

LIABILITIES

CAPITAL STOCK (including stock to be issued) AND SURPLUS (including capital surplus reserved for conversion of debentures):

Stated capital (see Notes 2 and 3)—Schedule 1	\$100,430,818.00	
Surplus:		
Capital surplus reserved for conversion of debentures.....	28,045,480.00	
Capital—Exhibit F.....	184,909,283.45	
Corporate—Exhibit F.....	—	\$313,385,581.45

OBLIGATIONS CONVERTIBLE INTO STOCK AT COMPANY'S OPTION (less \$4,327,300 in escrow—see Note 2)...	49,513,660.00	
SCRIP CERTIFICATES FOR INTEREST ON CONVERTIBLE OBLIGATIONS (less \$919,551.25 in escrow—see Note 2)	11,898,636.27	

FUNDED DEBT:

Fixed interest debentures (less \$110,500 in treasury).....	\$265,938,370.00	
Less fixed interest debentures deposited with and held by Escrow Agents under the Plan of Rearrangement of Debt Capitalization	203,296,680.00	
Remainder (including \$3,515,100 due in 1938).....	\$ 62,641,690.00	
Sinking fund income debentures (less \$723,905 in treasury).....	10,085,730.00	
Income debentures.....	16,500.00	
7% interest-bearing scrip, due in 1938 (including interest accrued to December 31, 1937, payable at maturity of scrip).....	549,237.22	73,293,157.22

MATURED BOND INTEREST (unpresented coupons), UNPRESENTED DIVIDEND CHECKS, AND MATURED SCRIP, ETC.	206,528.83	
ACCOUNTS PAYABLE	1,736.08	
TAXES ACCRUED.....	71,312.76	
INTEREST ACCRUED (less \$6,216 on securities in escrow—see Note 2).....	1,187,181.47	
RESERVE FOR TAXES (including Federal income taxes subject to final determination—see Note 7)...	143,445.30	
MISCELLANEOUS RESERVES.....	66,595.41	
TOTAL		<u>\$449,767,834.79</u>

SEE NOTES ON PAGE TWENTY-SEVEN WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT D

Associated Gas and Electric Company

STATEMENT OF INCOME

For the year ended December 31, 1937

INCOME:

From subsidiary company—Associated Gas and Electric Corporation:

Dividends	\$1,729,530.85	
Interest on note (declared during year)	<u>4,240,356.04</u>	\$5,969,886.89

EXPENSES AND TAXES:

Expenses	\$ 79,472.84	
Provision for taxes (no provision required for Federal income tax)	<u>78,897.33</u>	<u>158,370.17</u>

BALANCE—Before interest and \$444,385.21 expenses of Plan of Rearrangement of Debt Capitalization.. \$5,811,516.72

DEDUCTIONS FROM INCOME:

Interest on fixed interest debentures, income debentures, and sinking fund income debentures	\$3,490,807.42	
Other interest	186,278.03	
Amortization of debt discount and expense.....	<u>322,981.49</u>	<u>4,000,066.94</u>

BALANCE OF INCOME (Exclusive of expenses of Plan of Rearrangement of Debt Capitalization (\$444,385.21), interest on obligations convertible into stock at Company's option (\$1,959,387.58), interest on scrip certificates for interest on convertible obligations (\$325,700.22), and additional interest on sinking fund income debentures (\$73,815.08), which were charged to surplus)..... \$1,811,449.78

Associated Gas and Electric Company

STATEMENT OF CORPORATE AND CAPITAL SURPLUS

For the year ended December 31, 1937

	<i>Corporate Surplus</i>	<i>Capital Surplus</i>
BALANCE, JANUARY 1, 1937.....	\$1,380,640.09*	\$ 25,244,282.99
Adjustments arising from reinstatement of unamortized debt discount and expense as of January 1, 1936 and miscellaneous transfers from capital surplus to corporate surplus.....	790,024.17	6,804,153.80
BALANCE, JANUARY 1, 1937, as adjusted.....	\$2,170,664.26	\$ 32,048,436.79
ADDITIONS:		
Balance of income for the year—Exhibit E.....	1,811,449.78	—
Reversal of reserve for contingencies.....	—	49,700,000.00
Surplus resulting from reduction of stated value for stocks.....	—	102,933,907.55
Credit resulting from reorganization of former subsidiary and exchange of inter- company securities in connection therewith.....	166,219.82	2,946,814.36
Discounts on reacquired debentures, convertible obligations, etc.....	142,792.77	264,550.49
Miscellaneous	4.89	32,157.81
TOTAL	\$ 50,197.00	\$187,925,867.00
DEDUCTIONS:		
Expenses of Plan of Rearrangement of Debt Capitalization.....	\$ 444,385.21	—
Interest on obligations convertible into stock at company's option.....	1,959,387.58	—
Interest on scrip certificates for interest on convertible obligations.....	325,700.22	—
Additional interest on sinking fund income debentures.....	73,815.08	—
Unamortized debt discount and expense on debentures retired.....	163,098.46	—
TOTAL	\$2,966,386.55	—
REMAINDER	\$3,016,583.55*	\$187,925,867.00
Transfer of corporate deficit, at December 31, 1937, to capital surplus.....	3,016,583.55	3,016,583.55
BALANCE, DECEMBER 31, 1937.....	—	\$184,909,283.45

* Corporate deficit since January 1, 1936.

SEE NOTE ON PAGE TWENTY-SEVEN WHICH IS AN INTEGRAL PART OF THE ABOVE STATEMENT.

EXHIBIT F

Associated Gas and Electric Company
and Subsidiary Companies

CAPITAL STOCK OF ASSOCIATED GAS AND ELECTRIC COMPANY

December 31, 1937

<i>Description</i>	<i>Dates to which accumulative dividends have been paid</i>	<i>Number of shares outstanding with public</i>
*Cumulative preferred stock (without par value):		
Original series	Oct. 1, 1932	38,720
\$5.00 dividend series (less 40 shares in treasury and 23,053 shares held in escrow)	June 15, 1932	93,773
\$5.50 dividend series	"	104
\$6.00 dividend series (including 1 share to be issued).....	June 1, 1932	123,125
\$6.50 dividend series	"	58,671
\$7.00 dividend series (including 10 shares to be issued).....	Oct. 1, 1932	97,617
*Cumulative preference stock (without par value):		
\$4.00 cumulative preference (less 5,040 shares in treasury and 44,452 shares held in escrow).....	May 1, 1932	45,789
\$5.00 cumulative preference.....	None paid	25
\$5.50 cumulative preference (less 27 shares in treasury).....	June 15, 1932	11,691
\$6.00 cumulative preference.....	Apr. 1, 1932	3,950
\$6.50 cumulative preference (including 4 shares to be issued, less 28,435 shares held in escrow).....	"	6,992
Class A stock—par value \$1.00 a share (preferred as to assets—after liquidation of preferred and preference stocks—up to \$35.00 a share, plus one-half of the remaining assets after class B and common stocks have received in the aggregate an amount equal to \$35.00 a share on the class A stock), less 1,481,088 shares in treasury.....		†4,583,246
Class B stock—par value \$1.00 a share (preferred as to assets—after liquidation of preferred and preference stocks and distribution of \$35.00 a share to holders of class A stock—to \$35.00 a share, but not to exceed in the aggregate an amount equal to \$35.00 a share on the outstanding class A stock).....		607,953
Common stock—par value \$1.00 a share (less 644,314 shares in treasury).....		1,106,358
Optional stock purchase warrants (less 23,671 warrants in treasury).....		6,071,523.5 wts.
New optional stock purchase warrants.....		3,710 wts.
Warrants on Associated Gas and Electric Corporation 8% bonds, due 1940, for purchase of 90,247.6 shares of Associated Gas and Electric Company common stock		—

SEE NOTES ON PAGE TWENTY-SEVEN WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

SCHEDULE I

Associated Gas and Electric Company and Subsidiary Companies

NOTES TO CONSOLIDATED BALANCE SHEET (Pages Eighteen and Nineteen)

- (1) The fixed capital and investments as shown above do not purport to represent realizable values or an appraisal at the date of the balance sheet.
The regulatory commissions, under whose jurisdiction certain of the subsidiaries operate, have prescribed a new uniform system of accounts for public utilities which requires a study and restatement of property to be made and a change from retirement to depreciation accounting. Until the necessary studies have been made it is not known to what extent the accounts will be affected.
- (2) The capital stock of Associated Gas and Electric Company includes \$5,415,517 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks. At December 31, 1937 the carrying value of stocks of Associated Gas and Electric Company held by subsidiaries was charged to consolidated capital surplus. At December 31, 1936 the carrying value of such stocks was deducted from the aggregate of the capital stock of the Company and consolidated surplus.
- (3) The items indicated in the above statement as in escrow (exclusive of those held by escrow agents under the Plan of Rearrangement of Debt Capitalization) are held by the trustee of Eastern Utilities Investing Corporation pending settlement of the claims of the United States Government against that corporation for Federal income tax. The trustee also holds shares of capital stocks of Associated Gas and Electric Company, for which no reduction has been made in stated capital, as follows: 23,053 shares \$5.00 dividend series preferred stock, 44,452 shares \$4.00 cumulative preference stock, and 28,435 shares \$6.50 cumulative preference stock.
- (4) At December 31, 1937, undeclared cumulative interest, payable only as declared, on obligations of Associated Gas and Electric Company convertible into stock at Company's option, held by the public, amounted to \$990,251.53, and undeclared cumulative dividends on preferred and preference stocks held by the public (including stock issuable for obligations called for conversion) amounted to \$14,464,688.54. The foregoing amounts do not include dividends or interest on securities in escrow, referred to in Note 3 above.
- (5) Certain securities of subsidiary companies and notes receivable from subsidiary companies which eliminate in the above statement are pledged as collateral to notes payable and funded debt or deposited under escrow or other agreements, and certain intercompany receivables which eliminate in consolidation are subordinated to other indebtedness.
- (6) Certain subsidiary companies have undertaken for a limited period to purchase or cause to be purchased all 5% debentures due 1978 of National Public Service Corporation presented to them at a price of \$45 for each \$100 principal amount. At December 31, 1937 \$5,986,500 of these debentures were held by the public.
- (7) Notices of assessments for Federal income taxes with penalties and interest for the years 1927 to 1933, inclusive, and excess profits taxes for the year 1933, aggregating \$50,962,163.71, with demands for immediate payment and notice of tax liens, addressed to Associated Gas and Electric Company and/or the Company and its subsidiaries, were served on the Company in December, 1935. These assessments are being contested and in the opinion of the companies' tax counsel, there is no liability for additional taxes. Petitions for the years 1929 to 1933, inclusive, have been filed with the Board of Tax Appeals claiming refund of overpayment for 1929 and claiming no tax due for the other years. In addition, assertions of approximately \$9,500,000, applicable to the years 1927 to 1934, inclusive (1934 being the latest year examined in most instances), and jeopardy assessments of approximately \$830,000, which are being contested, have been made against subsidiary companies, and Associated Gas and Electric Company may have a liability in connection with assessments against affiliated companies of approximately \$3,600,000. For prior years, certain subsidiary companies have been assessed approximately \$300,000 for other taxes. These assessments are also being contested.
- (8) The consolidated statements include all subsidiaries regardless of voting trust agreements or other restrictions, and include certain companies which are undergoing reorganization under Section 77-B of the Bankruptcy Act, as amended.

NOTES TO STATEMENT OF CONSOLIDATED INCOME (Page Twenty)

The above statement does not include (1) expenses of Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company and expenses of litigation in connection therewith (\$634,078.95) of which \$189,693.74 was charged to operating expenses by subsidiaries but to corporate surplus in consolidated statements, (2) interest on Associated Gas and Electric Company obligations convertible into stock at Company's option, payable only as declared (paid in scrip) (\$1,825,857.77), (3) interest on scrip certificates for interest on convertible obligations of Associated Gas and Electric Company (\$299,400.03), and (4) additional interest of 1% on Associated Gas and Electric Company income debentures due 1986, dependent upon payment of interest on convertible obligations (\$16,664.41). These charges of \$2,776,001.16 are shown in consolidated corporate surplus.

NOTES TO STATEMENT OF CONSOLIDATED CORPORATE AND CAPITAL SURPLUS (Page Twenty-one)

- * The consolidated corporate surplus at January 1, 1937 was after writing off the corporate deficit of Associated Gas and Electric Company at December 31, 1935.

See footnote to consolidated balance sheet regarding cumulative interest, payable only as declared, and dividends in arrears for which no provision has been made above.

Associated Gas and Electric Company and Subsidiary Companies

NOTES TO PARENT COMPANY BALANCE SHEET (Page Twenty-two)

- (1) The investments are as shown by the books and do not purport to represent realizable values or an appraisal at the date of the balance sheet.
- (2) The items indicated in the above statement as in escrow (exclusive of those held by escrow agents under the Plan of Rearrangement of Debt Capitalization) are held by the trustee of Eastern Utilities Investing Corporation pending settlement of the claims of the United States Government against that corporation for Federal income tax. The trustee also holds shares of capital stocks of Associated Gas and Electric Company, for which no reduction has been made in stated capital, as follows: 23,053 shares \$5.00 dividend series preferred stock, 44,452 shares \$4.00 cumulative preference stock, and 28,435 shares \$6.50 cumulative preference stock.
- (3) The stated capital includes \$5,415,517 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks.
- (4) At December 31, 1937, undeclared dividends on preferred and preference stocks (including stocks issuable for obligations called for conversion) amounted to \$46,702,778.09, and unpaid cumulative interest on obligations convertible into stocks at company's option, payable only if declared, amounted to \$995,252.53. Of the foregoing amounts, \$14,464,688.54, and \$990,251.53, respectively, apply to securities held by the public, and the balance applies to securities held by subsidiary companies. The foregoing amounts do not include dividends or interest on securities in escrow referred to in note two above.
- (5) The Company has a contingent liability in connection with a joint agreement to indemnify another corporation for any loss sustained through its guarantee of principal and interest on joint and refunding mortgage 5% bonds of Empire Gas and Electric Company and Empire Coke Company (principal amount \$2,634,000, due in 1941, exclusive of \$1,895,000 held in treasury and pledged with trustees as collateral to funded debt). The company also has a contingent liability as guarantor of interest up to 8% per annum on not more than \$2,200,000 principal amount of income bonds of Utilities Employees Securities Company (an indirect subsidiary) issued to employees of companies in the Associated Gas & Electric System. There was no interest due and unpaid on either of these bond issues at December 31, 1937.
- (6) In April, 1937, claims for counsel fees and disbursements in connection with the reorganization proceedings, aggregating \$875,000, were filed on behalf of attorneys and counsel for petitioning creditors and the General Protective Committee and its counsel. On June 3, 1938, Hon. Alfred C. Cox, United States Circuit Court Judge, awarded said claimants an aggregate amount of approximately \$266,000 in full settlement of these claims. The Company has made more than sufficient provision for the latter amount, the reserve therefor being transferred to a subsidiary through open account.
- (7) Notices of assessments for Federal income taxes with penalties and interest for the years 1927 to 1933, inclusive, and excess profits taxes for the year 1933, aggregating \$50,962,163.71, with demands for immediate payment and notice of tax liens, addressed to Associated Gas and Electric Company and/or the company and its subsidiaries, have been served on the Company. These assessments are being contested and in the opinion of the Company's tax counsel, there is no liability for additional taxes. Petitions for the years 1929 to 1933, inclusive, have been filed with the Board of Tax Appeals claiming refund of over-payment for 1929 and claiming no tax due for the other years. Additional claims for Federal taxes, which are being contested, have been asserted or assessed against subsidiary and affiliated companies, for which some liability may exist against Associated Gas and Electric Company, if sustained.

NOTE TO PARENT COMPANY STATEMENT OF CORPORATE AND CAPITAL SURPLUS (Page Twenty-four)

See footnote to balance sheet regarding cumulative interest, payable only as declared, and dividends in arrears for which no provision has been made above.

NOTES TO STATEMENT OF CAPITAL STOCKS OF ASSOCIATED GAS AND ELECTRIC COMPANY (Page Twenty-five)

- * Includes shares represented by \$5,415,517 unsundered convertible debenture certificates, etc., which have been called for conversion into cumulative preferred and preference stocks, as follows: cumulative preferred, \$5.00 dividend series, 7,473 shares; \$5.50 dividend series, 42 shares; \$6.00 dividend series, 40,620 shares; \$6.50 dividend series, 2,457 shares; \$7.00 dividend series, 2,350 shares; and 1,214 shares of \$6.00 cumulative preference.
- † Includes 9,917 shares represented by transferable subscription receipts; 59,463 shares represented by 6% convertible debenture certificates for class A stock; and 672 shares represented by class A receipts for 6% convertible debenture certificates, series C.

The cumulative preferred stock is preferred as to assets, in the event of liquidation, up to \$100.00 a share, plus any unpaid cumulative dividends, except in the case of the original series preferred stock, which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

After the liquidation of the preferred stocks the cumulative preference stock is preferred as to assets up to \$100.00 a share, plus any unpaid cumulative dividends, except in the case of the \$4.00 cumulative preference stock, which is preferred up to \$50.00 a share, plus any unpaid cumulative dividends.

For statement purposes, the cost of treasury stock has been charged to capital surplus.

Stocks of Associated Gas and Electric Company held by companies included in the consolidation and eliminated above are as follows: cumulative preferred, \$5.00 dividend series, 246,482 shares; \$4.00 cumulative preference, 724,224 shares; \$5.50 cumulative preference, 290 shares; \$6.00 cumulative preference, 367,825 shares; \$6.50 cumulative preference, 7,184 shares; and Class A, 250 shares.

There is no separate stated value assigned to the various classes of capital stock on the books of Associated Gas and Electric Company. The stated value for all of the stocks is \$100,430,818.00. The carrying value of stocks of Associated Gas and Electric Company held by subsidiaries included in the consolidation has been charged to consolidated capital surplus.

Associated Gas and Electric Company
and Subsidiary Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1933 to 1937, inclusive

ASSETS SIDE

	1937	1936	1935	1934	1933
FIXED CAPITAL	\$ 914,783,950.04	\$ 890,923,730.82	\$ 867,440,853.75	\$742,698,589.42	\$746,504,548.27
INVESTMENTS	53,102,081.00	74,885,239.90	75,519,197.10	70,480,072.91	71,440,425.88
DEPOSITS FOR MATURED BONDS, AND BOND INTEREST, ETC. (contra)	2,260,895.37	2,660,833.86	3,775,008.82	1,348,778.07	802,759.92
DEPOSITS FOR SINKING FUNDS, ETC.	2,660,095.16	2,054,369.91	2,324,342.33	538,047.22	505,980.51
DEPOSITS FOR BONDS CALLED....	—	10,216,479.05	15,839,546.00	—	—
CASH AND TIME DEPOSITS.....	8,997,861.20	8,225,797.13	6,016,503.19	7,458,442.37	7,065,586.46
NOTES AND ACCOUNTS RECEIV- ABLE	12,446,439.52	12,168,104.32	12,448,292.36	9,819,612.55	10,324,870.18
MATERIALS, SUPPLIES AND MER- CHANDISE	6,068,072.31	6,337,022.78	5,915,298.65	4,236,756.65	3,855,291.27
APPLIANCE ACCOUNTS RECEIV- ABLE SOLD (contra).....	4,949,996.62	4,324,329.90	2,047,173.56	—	—
PREPAID EXPENSES	1,162,106.27	1,077,543.89	454,913.50	374,866.39	448,547.18
UNAMORTIZED DEBT DISCOUNT AND EXPENSE	28,490,290.80	22,590,076.16	22,571,147.63	7,938,790.46	9,592,769.17
MISCELLANEOUS UNADJUSTED DEBITS	2,895,072.74	3,136,747.44	2,352,794.00	1,198,600.25	1,209,019.21
Total Assets Side.....	<u>\$1,037,816,361.03</u>	<u>\$1,038,600,275.16</u>	<u>\$1,016,705,070.89</u>	<u>\$846,092,556.29</u>	<u>\$851,749,798.05</u>

NOTE:

The above statement is based on published balance sheets as of the respective dates, which have not been adjusted to be strictly comparable.

Associated Gas and Electric Company
and Subsidiary Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1933 to 1937, inclusive

LIABILITIES SIDE AND CAPITAL

	1937	1936	1935	1934	1933
CAPITAL STOCK AND SURPLUS (including surplus reserved for conversions and other contingencies):					
Associated Gas and Electric Company	\$ 148,292,732.33	\$ 170,367,198.43	\$ 169,677,053.14	\$172,438,383.29	\$154,448,278.90
Stocks, the majority of which are of equal rank with stocks of Company	19,945,512.67	22,404,815.78	24,649,501.87	24,150,004.57	31,008,527.51
Subsidiary companies:					
Preferred stocks	71,764,264.16	68,805,713.33	66,084,518.33	33,342,323.33	35,091,933.33
Common stocks, including applicable surplus	2,176,615.74	653,195.61	309,651.02	325,172.34	63,982.72
Total Capital Stock and Surplus	<u>\$ 242,179,124.90</u>	<u>\$ 262,230,923.15</u>	<u>\$ 260,720,724.36</u>	<u>\$230,255,883.53</u>	<u>\$220,612,722.46</u>
OBLIGATIONS CONVERTIBLE into stock at Company's option and obligations of equivalent rank.	\$ 49,262,610.00	\$ 50,409,926.99	\$ 51,821,783.00	\$ 52,843,234.00	\$ 63,030,048.00
SCRIP CERTIFICATES for interest on convertible obligations.	11,709,562.11	9,829,733.60	—	—	—
FUNDED DEBT:					
Associated Gas and Electric Company	\$ 268,176,557.22	\$ 268,117,019.33	\$ 268,087,647.17	\$269,052,633.92	\$264,042,079.87
Less debentures held by Escrow Agents	203,296,680.00	201,102,240.00	192,246,590.00	167,546,860.00	108,673,800.00
Remainder	\$ 64,879,877.22	\$ 67,014,779.33	\$ 75,841,057.17	\$101,505,773.92	\$155,368,279.87
Associated Gas and Electric Corporation	144,514,960.00	140,935,520.00	143,877,995.00	115,758,965.00	75,500,935.00
Other subsidiary companies....	388,776,166.79	374,807,872.70	351,864,065.56	247,648,722.72	248,443,291.79
Total Funded Debt....	<u>\$ 598,171,004.01</u>	<u>\$ 582,758,172.03</u>	<u>\$ 571,583,117.73</u>	<u>\$464,913,461.64</u>	<u>\$479,312,506.66</u>
BONDS CALLED FOR REDEMPTION	—	\$ 10,216,479.05	\$ 15,712,004.98	—	—
MATURED BONDS AND BOND INTEREST (contra)	\$ 2,260,895.37	2,660,833.86	3,775,008.82	1,348,778.07	\$ 802,759.92
MATURED FUNDED DEBT OF SUBSIDIARIES (in process of reorganization)	3,288,000.00	—	—	—	—
NOTES AND ACCOUNTS PAYABLE TO AFFILIATED COMPANIES	362,302.79	—	—	—	—
NOTES PAYABLE	11,658,064.82	8,566,576.51	11,047,193.24	5,570,598.78	3,916,600.92
ACCOUNTS PAYABLE	7,025,446.43	5,548,287.45	4,815,386.16	3,030,473.41	3,371,426.98
ACCRUED ACCOUNTS	17,724,010.55	15,702,705.48	13,516,415.91	14,042,913.62	11,853,684.69
CONSUMERS' DEPOSITS	5,858,784.62	5,747,815.93	5,419,697.88	4,280,620.74	4,075,203.50
APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra)	4,949,996.62	4,324,329.90	2,047,173.56	—	—
RESERVE FOR RETIREMENTS	70,907,076.38	67,957,547.63	64,563,910.66	58,475,129.86	51,726,595.40
OTHER RESERVES AND UNADJUSTED CREDITS	12,459,482.43	12,646,943.58	11,682,654.59	11,331,462.64	13,048,249.52
Total Liabilities Side and Capital	<u>\$1,037,816,361.03</u>	<u>\$1,038,600,275.16</u>	<u>\$1,016,705,070.89</u>	<u>\$846,092,556.29</u>	<u>\$851,749,798.05</u>

Associated Gas and Electric Company
and Subsidiary Companies

COMPARATIVE CONSOLIDATED INCOME ACCOUNT

(Including acquired properties only since dates of acquisition)

	For years ended December 31st				
	1937	1936	1935	1934	1933
OPERATING REVENUES:					
Electric	\$101,068,927.94	\$ 92,767,745.36	\$73,190,931.25	\$65,993,443.04	\$64,270,440.95
Gas	13,691,986.20	13,466,888.54	12,106,353.98	11,381,493.47	10,844,081.24
Steam heating, water, ice, transportation, etc.	10,838,167.02	9,575,712.56	7,918,432.10	6,598,152.05	6,216,779.05
Total	\$125,599,081.16	\$115,810,346.46	\$93,215,717.33	\$83,973,088.56	\$81,331,301.24
OPERATING EXPENSES AND MAINTENANCE	64,614,354.93	59,161,101.23	48,319,901.56	42,901,872.69	40,854,769.15
BALANCE	\$ 60,984,726.23	\$ 56,649,245.23	\$44,895,815.77	\$41,071,215.87	\$40,476,532.09
PROVISION FOR TAXES.....	15,442,225.38	12,508,493.98	9,799,411.27	8,589,951.92	7,855,422.20
BALANCE	\$ 45,542,500.85	\$ 44,140,751.25	\$35,096,404.50	\$32,481,263.95	\$32,621,109.89
PROVISION FOR RETIREMENTS.....	10,876,466.28	9,311,349.05	8,081,815.82	7,329,680.04	6,815,360.98
OPERATING INCOME.....	\$ 34,666,034.57	\$ 34,829,402.20	\$27,014,588.68	\$25,151,583.91	\$25,805,748.91
OTHER INCOME (net).....	1,857,522.73	1,765,460.79	1,690,741.98	1,140,840.26	1,725,077.05
GROSS INCOME.....	\$ 36,523,557.30	\$ 36,594,862.99	\$28,705,330.66	\$26,292,424.17	\$27,530,825.96
DEDUCTIONS FROM INCOME OF SUBSIDIARY COMPANIES	31,909,487.02	30,826,370.86	23,998,477.24*	20,443,326.37*	17,693,017.50*
BALANCE	\$ 4,614,070.28	\$ 5,768,492.13	\$ 4,706,853.42	\$ 5,849,097.80	\$ 9,837,808.46
†FIXED DEDUCTIONS FROM INCOME OF ASSOCIATED GAS AND ELECTRIC COMPANY	3,699,997.95	3,435,418.50	4,398,040.41	6,029,000.62	11,516,298.34
BALANCE	\$ 914,072.33	\$ 2,333,073.63	\$ 308,813.01	\$ 179,902.82†	\$ 1,678,489.88†

NOTES:

* Exclusive of that portion of such charges ranking after fixed interest of Associated Gas and Electric Company.

† Includes no interest on income obligations convertible into stock at company's option or charges ranking therewith.

‡ Loss.

The statement does not include out-of-the-ordinary expenses in connection with various investigations, legal cases, etc., charged to operating or non-operating expenses by subsidiaries but to corporate surplus in consolidated statements for the years ended December 31, 1934 to 1937, inclusive. It also does not include expenses in connection with the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company. The figures above are for the purpose of indicating the trend of earnings, and have not been adjusted to be strictly comparable for the entire five-year period. The amounts shown for the years 1933 and 1934 differ from the published reports for those years, due to revisions in the comparative statements in subsequent reports.

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

*Capital stock of Associated Gas and Electric Company	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Preferred:			
Original Series—Cumulative (\$3.50).....	38,720	—	38,720
\$7.00 Series—Cumulative	97,617	—	97,617
\$6.50 Series—Cumulative	58,671	—	58,671
\$6.00 Series—Cumulative	123,125	—	123,125
\$5.50 Series—Cumulative	104	—	104
\$5.00 Series—Cumulative	340,255	246,482	93,773
Preference:			
\$6.50 Series—Cumulative	14,176	7,184	6,992
\$6.00 Series—Cumulative	371,775	367,825	3,950
\$5.50 Series—Cumulative	11,981	290	11,691
\$5.00 Series—Cumulative	25	—	25
\$4.00 Series—Cumulative	770,013	724,224	45,789
Class A	4,583,496	250	4,583,246
Class B	607,953	—	607,953
Common	1,106,358	—	1,106,358
Optional Stock Purchase Warrants.....	1,214,305†	—	1,214,305†
New Optional Stock Purchase Warrants.....	74,200†	—	74,200†
Common Stock Purchase Warrants.....	90,247‡	10,491‡	79,756‡

* Includes unsurrendered Convertible Debenture Certificates, etc., which have been called for conversion into cumulative preferred and preference stocks, as explained in previous reports.

† Maximum number of shares of Class A Stock issuable upon exercise of warrants.

‡ Shares of Common Stock issuable upon exercise of warrants.

Funded debt of Associated Gas and Electric Company	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by Escrow Agents	Amount held by public
Debentures, due 1983.....	4	\$13,937,000.00	—	\$12,869,200.00	\$ 1,067,800.00
Convertible Debentures, due 1977.....	5½	8,039,800.00	\$ 17,000.00	5,833,000.00	2,189,800.00
Debtenture Bonds, Consolidated Refunding:					
Series due 1968.....	5	85,471,200.00	—	63,098,300.00	22,372,900.00
Series due 1958.....	4½	16,809,200.00	—	13,758,500.00	3,050,700.00
Convertible Debentures, due 1950.....	5	49,894,000.00	—	35,014,300.00	14,879,700.00
Convertible Debentures, due 1949.....	4½	65,257,400.00	—	53,563,900.00	11,693,500.00
Convertible Debentures, due 1948.....	4½	3,885,850.00	—	2,653,450.00	1,232,400.00
Convertible Investment Certificates, due 1938 5½		14,094,800.00	187,000.00	10,579,700.00	3,328,100.00
Convertible Investment Certificates, due 1939 5½		82,890.00	1,790.00	—	81,100.00
Convertible Investment Certificates, due 1943 6		56,100.00	2,000.00	—	54,100.00
Convertible Debenture Bonds, due 1965.....	5	7,410,130.00	—	5,926,330.00	1,483,800.00
Sinking Fund Income Debentures, due 1983:					
Series A	5½	200,575.00	—	—	200,575.00
Series B	5	560,585.00	—	—	560,585.00
Series C	4½	144,830.00	—	—	144,830.00
Series D	4	123,670.00	—	—	123,670.00
Sinking Fund Income Debentures, due 1986:					
Series A	5½	472,760.00	345,620.00	—	127,140.00
Series B	5	5,409,460.00	4,254,020.00	—	1,155,440.00
Series C	4½	2,914,200.00	2,401,200.00	—	513,000.00
Series D	4	259,650.00	204,650.00	—	55,000.00
Income Debentures, due 1983.....	5	16,500.00	—	—	16,500.00
Interest-bearing Scrip, due 1938.....	7	549,237.22*	—	—	549,237.22*
Total					\$64,879,877.22

* Includes accrued interest, payable at maturity.

Scrip certificates of Associated Gas and Electric Company for interest on convertible obligations	*Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
Due 1941	4	\$8,421,996.15	\$159,800.00	\$ 8,262,196.15
Due 1942	4	1,909,422.23	17,200.00	1,892,222.23
Due 1944	4	1,057,201.04	6,431.27	1,050,769.77
Due 1947	4½	510,016.85	5,642.89	504,373.96
Total				\$11,709,562.11

* Interest-bearing only in multiples of \$100 principal amount.

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Obligations of Associated Gas and Electric Company convertible into stock at Company's option	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public	
ASSOCIATED GAS AND ELECTRIC COMPANY:					
Convertible Obligations, Series A.....	7	\$ 3,479,650.00	\$ 7,900.00	\$ 3,471,750.00	
Convertible Obligations, Series A.....	6½	1,176,500.00	18,300.00	1,158,200.00	
Convertible Obligations, Series A.....	6	25,127,996.00	100,800.00	25,027,196.00	
Convertible Obligations, Series A.....	5½	362,314.00	3,000.00	359,314.00	
Convertible Obligations, Series A.....	5	17,713,700.00	121,050.00	17,592,650.00	
Convertible Obligations, Series B.....	6	1,653,500.00	—	1,653,500.00	
Total				\$49,262,610.00	
Capital stock of General Gas & Electric Corporation		Shares outstanding	Shares eliminated in consolidation	Shares held by public	
GENERAL GAS & ELECTRIC CORPORATION:					
\$5.00 Prior Preferred.....		60,000	35,348.4	24,651.6	
\$8.00 Cumulative Preferred		15,343.85	13,791.5	1,552.35	
\$7.00 Cumulative Preferred		22,266.9	19,885.5	2,381.4	
\$6.00 Cumulative Convertible Preferred, Series A and B.....		619,804	597,873	21,931	
Class A—Common		4,911,749	2,622,107	2,289,642	
Class B—Common		3,047,000	3,036,673	10,327	
Preferred stocks of other subsidiary companies		Rate per share	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Eastern Shore Public Service Company.....		\$6.50	14,538	606	13,932
Eastern Shore Public Service Company.....		6.00	20,177	8,291	11,886
Florida Power Corporation.....		3.50	5,940	962	4,978
Florida Power Corporation.....		7.00	28,762	15,729	13,033
Florida Public Service Company.....		7.00	21,652	21,598	54
Georgia Power and Light Company.....		6.00	10,572	4,200	6,372
Guilford Water Company, The.....		6.00	299.5	291.5	8
Hampton Water-Works Company, The.....		6.00	622	486	136
Keystone Public Service Company.....		2.80	11,939	2,665	9,274
Mars Hill & Blaine Water Company.....		6.00	210	160	50
Metropolitan Edison Company—Prior Preferred.....		7.00	5,734	200	5,534
Metropolitan Edison Company—Prior Preferred.....		6.00	91,802	519	91,283
Metropolitan Edison Company—Prior Preferred.....		5.00	199	61	138
Metropolitan Edison Company.....		7.00	11,518	10,921	597
Metropolitan Edison Company.....		6.00	95,886	82,536	13,350
Metropolitan Edison Company.....		5.00	5,686	5,152	534
New Jersey Power & Light Company.....		6.00	33,060	20,821	12,239
New Jersey Power & Light Company.....		5.00	1,041	1,023	18
New York State Electric & Gas Corporation.....		1.25	3,000	—	3,000
Northeastern Water and Electric Corporation.....		4.00	91,579.3	—	91,579.3
NY PA NJ Utilities Company—Non-Cumulative.....		3.00	6,138.2	443.1	5,695.1
Ohio-Midland Light and Power Company.....		5.00	1,978.6	1,964	14.6
Pennsylvania Edison Company.....		5.00	123,466	184	123,282
Pennsylvania Edison Company.....		2.80	84,029	107	83,922
Rochester Gas and Electric Corporation—Series C.....		6.00	27,000	12,687	14,313
Rochester Gas and Electric Corporation—Series D.....		6.00	171,871	3,939	167,932
Rochester Gas and Electric Corporation—Series E.....		5.00	40,000	—	40,000
Salisbury Water Supply Company, The.....		6.00	450	414	36
South Carolina Electric & Gas Company.....		7.00	13,105	12,325	780
South Carolina Electric & Gas Company—Prior Preferred		6.00	25,000	24,397	603
Tide Water Power Company.....		6.00	23,858	11,000	12,858
Utilities Employees Securities Company—Non-Cumulative		5.00	10,625	9,417	1,208
Virginia Public Service Company.....		7.00	40,440	2,602	37,838
Virginia Public Service Company.....		6.00	53,764	17,842	35,922
York Railways Company.....		2.50	32,000	28,655	3,345

Associated Gas and Electric Company and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Common and participating stocks of other subsidiary companies	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Clarion River Power Company, The—Participating.....	44,530	40,983.3	4,267.7
Eastport Water Company.....	1,000	855	145
Northeastern Water and Electric Corporation.....	172,235	151,947	20,288
Ohio-Midland Light and Power Company, Class A.....	3,778.6	3,761.5	17.1
Ohio-Northern Public Service Company, The.....	1,930	1,915	15
Utilities Employees Securities Company.....	1,000	820	180
Utilities Mutual Management Association, Inc.....	102,410	86,890	15,520*
York Railways Company.....	50,000	49,629	371
Miscellaneous water companies—\$ (shares held by public are less than 1% of total outstanding in each case).....	8,381	8,356	25
* Held by affiliated companies.			

Funded debt of Associated Gas and Electric Corporation	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
Bonds, due 1940.....	8	\$ 9,015,300.00	\$ 1,049,090.00	\$ 7,966,210.00
Convertible Debentures, due 1973.....	5½	1,702,170.00	—	1,702,170.00
Convertible Debentures, due 1973.....	5	14,926,485.00	—	14,926,485.00
Convertible Debentures, due 1973.....	4½	10,801,675.00	—	10,801,675.00
Convertible Debentures, due 1973.....	4	615,150.00	—	615,150.00
Income Debentures, due 1978.....	4½	18,916,340.00	8,661,240.00	10,255,100.00
Income Debentures, due 1978.....	4	69,544,435.00	10,051,210.00	59,493,225.00
Income Debentures, due 1978.....	3¾	39,331,750.00	10,230,185.00	29,101,565.00
Income Debentures, due 1978.....	3½	11,326,690.00	1,673,310.00	9,653,380.00
Total				\$144,514,960.00

Funded debt of subsidiary companies	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
ASSOCIATED ELECTRIC COMPANY:				
Bonds, due 1953.....	4½	\$30,000,000.00	\$ 4,485,600.00	\$ 25,514,400.00
Bonds, due 1961.....	5	35,000,000.00	502,300.00	34,497,700.00
BROAD RIVER POWER COMPANY:				
First and Refunding Mortgage, Series A, due 1954.....	5	8,361,900.00	5,947,900.00	2,414,000.00
CANADEA POWER CORPORATION:				
First Mortgage, due 1958.....	5	2,000,000.00	—	2,000,000.00
EASTERN POWER COMPANY:				
Collateral Note, due 1941-45.....	5	3,350,000.00	—	3,350,000.00
EASTERN SHORE PUBLIC SERVICE COMPANY:				
First Mortgage and First Lien, Series A, due 1947.....	5½	4,800,000.00	21,000.00	4,779,000.00
First Mortgage and First Lien, Series B, due 1955.....	5	2,250,000.00	107,500.00	2,142,500.00
ELMIRA WATER, LIGHT AND RAILROAD COMPANY:				
First Consolidated Mortgage, due 1956.....	5	5,000,000.00	85,000.00	4,915,000.00
EMPIRE GAS AND ELECTRIC COMPANY:				
General and Refunding Mortgage, Series A, due 1952..	6	1,720,000.00	98,500.00	1,621,500.00
EMPIRE GAS AND ELECTRIC CO. AND EMPIRE COKE CO.:				
Joint First and Refunding Mortgage, due 1941.....	5	2,634,000.00	54,000.00	2,580,000.00
ERIE LIGHTING COMPANY:				
First Mortgage Sinking Fund, due 1967.....	5	4,723,500.00	17,000.00	4,706,500.00
FLORIDA POWER CORPORATION:				
First Mortgage, Series C, due 1966.....	4	10,000,000.00	50,000.00	9,950,000.00
Sinking Fund Debentures, due 1946.....	5	2,380,000.00	—	2,380,000.00
FLORIDA PUBLIC SERVICE COMPANY:				
First Mortgage, Series C, due 1955.....	4	6,000,000.00	487,900.00	5,512,100.00
GENERAL UTILITY INVESTORS CORPORATION:				
Secured Notes, due 1939-1940.....	4½	4,250,000.00	—	4,250,000.00
GEORGIA POWER AND LIGHT COMPANY:				
First Mortgage, due 1978.....	5	3,140,000.00	66,000.00	3,074,000.00
KEYSTONE PUBLIC SERVICE COMPANY:				
First Mortgage, due 1978.....	5	4,000,000.00	—	4,000,000.00
LEXINGTON WATER POWER COMPANY:				
First Mortgage, due 1968.....	5	11,296,100.00	2,860,200.00	8,435,900.00
LONG ISLAND WATER CORPORATION:				
First Mortgage, due 1955.....	5½	2,144,000.00	70,000.00	2,074,000.00
METROPOLITAN EDISON COMPANY:				
First Mortgage, Series D, due 1968.....	4½	22,830,500.00	60,000.00	22,770,500.00
First Mortgage, Series E, due 1971.....	4	4,684,000.00	3,000.00	4,681,000.00
First Mortgage, Series G, due 1965.....	4	11,710,900.00	—	11,710,900.00

Associated Gas and Electric Company
and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

Funded debt of subsidiary companies	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
THE MOHAWK VALLEY COMPANY:				
Consolidated Refunding, due 1991.....	6	\$ 1,564,900.00	\$ 218,900.00	\$ 1,346,000.00
NEW JERSEY POWER & LIGHT COMPANY:				
First Mortgage, due 1960.....	4½	13,920,000.00	73,000.00	13,847,000.00
NEW YORK CENTRAL ELECTRIC CORPORATION:				
First Mortgage, due 1950.....	5½	3,049,000.00	215,500.00	2,833,500.00
First Mortgage, due 1952.....	5	662,000.00	126,000.00	536,000.00
NEW YORK STATE ELECTRIC & GAS CORPORATION:				
First Mortgage, due 1980.....	4½	17,094,500.00	376,400.00	16,718,100.00
First Mortgage, due 1960.....	4½	3,490,000.00	15,700.00	3,474,300.00
Collateral Note, due 1942.....	4½	3,500,000.00	—	3,500,000.00
First Mortgage, due 1965.....	4	14,808,500.00	1,005,500.00	13,803,000.00
NEWPORT NEWS AND HAMPTON RAILWAY GAS AND ELECTRIC COMPANY:				
First and Refunding Mortgage, due 1944.....	5	3,934,500.00	—	3,934,500.00
NEWPORT NEWS & OLD POINT RAILWAY & ELECTRIC CO.:				
First Mortgage, due 1938.....	5	739,000.00	—	739,000.00
NORTHEASTERN WATER AND ELECTRIC CORPORATION:				
Collateral Trust, due 1954.....	6	3,000,000.00	148,400.00	2,851,600.00
NORTHERN PENNSYLVANIA POWER COMPANY:				
First and Refunding Mortgage, Series A, due 1956.....	5	1,369,900.00	26,000.00	1,343,900.00
First and Refunding Mortgage, due 1962.....	5	2,089,600.00	159,300.00	1,930,300.00
NY PA NJ UTILITIES COMPANY:				
Secured Debentures, due 1956.....	5	3,926,500.00	999,500.00	2,927,000.00
THE PARR SHOALS POWER COMPANY:				
First Mortgage Sinking Fund, due 1952.....	5	1,789,000.00	6,000.00	1,783,000.00
PENN CENTRAL LIGHT AND POWER COMPANY:				
First Mortgage, due 1979.....	5	2,175,000.00	—	2,175,000.00
First Mortgage, due 1977.....	4½	25,700,000.00	314,000.00	25,386,000.00
PENN PUBLIC SERVICE CORPORATION:				
First and Refunding Mortgage, Series C, due 1947.....	6	4,549,000.00	20,000.00	4,529,000.00
First and Refunding Mortgage, Series D, due 1954.....	5	2,435,000.00	32,000.00	2,403,000.00
PENNSYLVANIA ELECTRIC COMPANY:				
First and Refunding Mortgage, Series H, due 1962.....	5	17,313,500.00	3,387,300.00	13,926,200.00
First and Refunding Mortgage, Series F, due 1971.....	4	6,657,000.00	180,000.00	6,477,000.00
ROCHESTER GAS AND ELECTRIC CORPORATION:				
General Mortgage, Series D, due 1977.....	4½	6,000,000.00	—	6,000,000.00
General Mortgage, Series E, due 1962.....	5	8,323,000.00	—	8,323,000.00
General Mortgage, Series F, due 1960.....	4	15,000,000.00	—	15,000,000.00
General Mortgage, Series G, due 1966.....	3¾	3,000,000.00	—	3,000,000.00
General Mortgage, Series H, due 1967.....	3¾	3,000,000.00	—	3,000,000.00
SOUTHEASTERN INVESTING CORPORATION:				
Collateral Note, due 1940.....	4½	1,164,000.00	—	1,164,000.00
SOUTHSIDE VIRGINIA POWER COMPANY:				
First Mortgage, Series A, due 1956.....	5	2,000,000.00	—	2,000,000.00
STATEN ISLAND EDISON CORPORATION:				
Refunding and Improvement Mortgage, due 1937, extended to 1938.....	4	2,000,000.00	—	2,000,000.00
TIDE WATER POWER COMPANY:				
First Mortgage, Series A, due 1979.....	5	6,261,500.00	15,000.00	6,246,500.00
UTILITIES EMPLOYEES SECURITIES COMPANY:				
Income Notes and Bonds, due 1981 (including payments on subscriptions).....	6-8	7,287,786.54	100,000.00	7,187,786.54
VIRGINIA PUBLIC SERVICE COMPANY:				
First Mortgage and Refunding, Series A, due 1946.....	5½	14,544,500.00	472,000.00	14,072,500.00
First Mortgage and Refunding, Series B, due 1950.....	5	8,700,000.00	1,410,000.00	7,290,000.00
First Mortgage and Refunding, Series C, due 1952.....	6	3,000,000.00	90,000.00	2,910,000.00
Sinking Fund Debentures, due 1946.....	6	3,607,500.00	—	3,607,500.00
YORK HAVEN WATER AND POWER COMPANY:				
Bonds, due 1951.....	5	1,247,500.00	2,000.00	1,245,500.00
YORK RAILWAYS COMPANY:				
First Mortgage, due 1947.....	5	1,721,000.00	62,000.00	1,659,000.00
MISCELLANEOUS				10,247,980.25
Total				\$388,776,166.79

Associated Gas and Electric Company

TRUSTEES, PAYING AGENTS, REGISTRARS AND TRANSFER AGENTS

Capital Stock	Transfer Agents		Registrars		
	(see reference below)				
Preferred—all series	1		2		
Preference—all series	1		2		
Class A	1-10		5-9		
Class B	3		—		
Common	1-10		2-9		
Optional Stock Purchase Warrants.....	1		2		
New Optional Stock Purchase Warrants.....	1		2		
Obligations Convertible into Stock at Company's Option and Scrip Certificates for Interest on Convertible Obligations		Interest Rate %	Interest dates	Interest payable at	Transfer Agent
			(see reference below)		
Convertible Obligations, due 2002:					
Series A	7-6½-5½-5	FMAN-15	1		1
Series A and Series B.....	6	MJSD-1	1		1
Scrip Certificates for Interest on Convertible Obligations (interest- bearing in multiples of \$100 principal amount):					
Due October 1, 1941.....	4	A&O-1	1		1
Due November 1, 1941.....	4	M&N-1	1		1
Due December 1, 1941.....	4	J&D-1	1		1
Due February 15, 1942.....	4	F&A-15	1		1
Due March 1, 1942.....	4	M&S-1	1		1
Due May 15, 1942.....	4	M&N-15	1		1
Due June 1, 1942.....	4	J&D-1	1		1
Due August 15, 1942.....	4	F&A-15	1		1
Due September 1, 1942.....	4	M&S-1	1		1
Due June 15, 1944.....	4	J&D-15	1		1
Due June 15, 1947.....	4½	J&D-15	1		1
Funded Debt		Interest Rate %	Interest dates	Interest payable at	Trustee
			(see reference below)		
Debentures, due 1983.....		4	M&S-15	1	8
Convertible Debentures, due 1977.....		5½	F&A-1	1	7
Debenture Bonds, Consolidated Refunding:					
Series due 1968.....	5	A&O-1	1		5
Series due 1958.....	4½	M&N-1	1		4
Convertible Debentures, due 1950.....	5	F&A-1	1		8
Convertible Debentures, due 1949.....	4½	J&J-15	1		4
Convertible Debentures, due 1948.....	4½	M&S-1	1		7
Convertible Investment Certificates.....	6-5½	M&N-15*	1		1†
Convertible Debenture Bonds, due 1965.....	5	M&N-15	1		6
Sinking Fund Income Debentures, due 1983:					
Series A	5½	F&A-1	1		8
Series B	5	M&S-1	1		8
Series C	4½	M&N1	1		8
Series D	4	M&S-15	1		8
Sinking Fund Income Debentures, due 1986:					
Series A	5½	F&A-1	1		8
Series B	5	M&S-1	1		8
Series C	4½	M&N-1	1		8
Series D	4	M&S-15	1		8
Income Debentures, due 1983.....	5	A&O-1	1		8
Interest-Bearing Scrip, due 1938.....	7	†	—		1†

* Registered FMAN-15.

† Transfer agent.

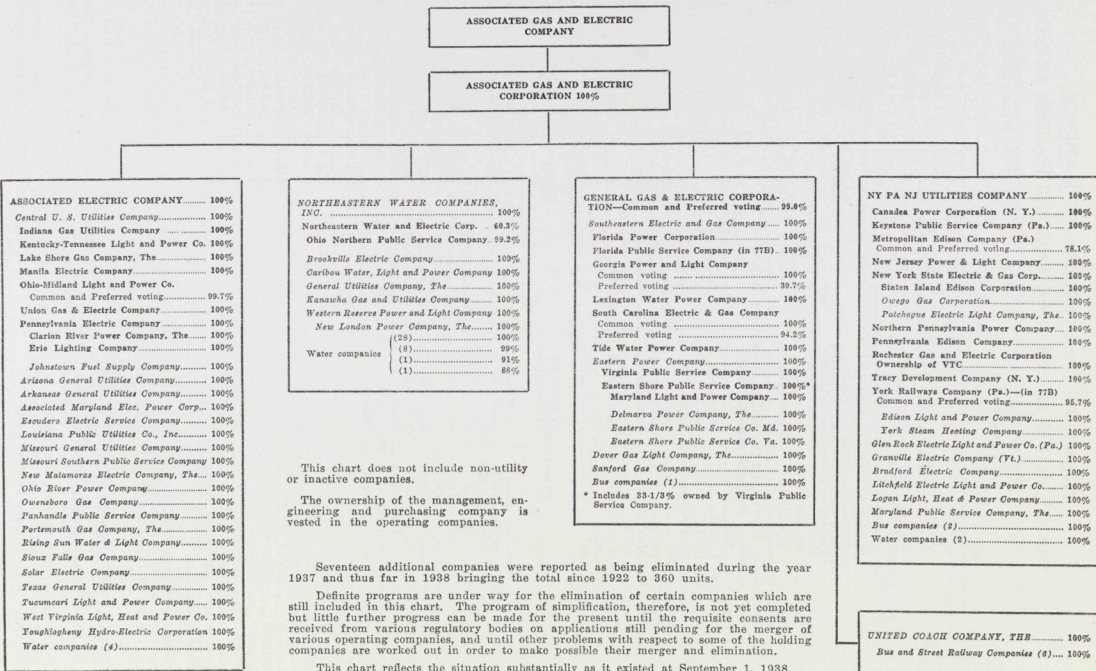
‡ Interest payable at maturity.

REFERENCE

- | | |
|---|---|
| 1 Transfer and Paying Agency, 41 Trinity Place,
New York | 6 Irving Trust Company, New York |
| 2 Securities Registration Agency, 61 Broadway,
New York | 7 The New York Trust Company, New York |
| 3 The Company, 61 Broadway, New York | 8 The Public National Bank and Trust Company of
New York |
| 4 The Chase National Bank of the City of New York | 9 The First National Bank of Boston (Mass.) |
| 5 Guaranty Trust Company of New York | 10 State Street Trust Company, Boston, Mass. |

Chart of Ownership — Public Utility Companies Showing Percentage of Voting Stock Ownership

Companies shown in *italics* have no securities outstanding with the public.



ASSOCIATED GAS AND ELECTRIC CORPORATION



ANNUAL REPORT

1938

ASSOCIATED GAS AND ELECTRIC CORPORATION



ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1938

Associated Gas and Electric Corporation

(Incorporated under the laws of the State of Delaware, June 7, 1922)

Board of Directors

*FREDERICK S. BURROUGHS
ARCHIBALD L. JACKSON
SANFORD J. MAGEE
JOHN I. MANGE

*JAMES D. MORTIMER
WILLIAM A. PRENDERGAST
HARRY REID
*LINCOLN F. SCHAUB

Officers

J. I. MANGE President
S. J. MAGEE Vice-President
*F. S. BURROUGHS Vice-President
*H. A. STIX Vice-President and Comptroller
H. L. HEINEMAN Vice-President
*C. A. DOUGHERTY Vice-President and Secretary
*J. L. RICE, Jr. Treasurer

* Elected during the year 1939.

PRINCIPAL OFFICE WILMINGTON, DELAWARE

Neither this report, nor any statement contained herein, is furnished in connection with any offering of securities or for the purpose of promoting or influencing the sale or purchase of securities.

ASSOCIATED GAS AND ELECTRIC CORPORATION

ANNUAL REPORT

For the Year Ended December 31, 1938

OUTPUT and earnings of the Associated System began to improve about the middle of 1938, as the nation's business commenced to recover from the recession of the previous year. It is expected that the general level of business activity in 1939 will be higher than in 1938, and that the System's operations will share in this improvement.

Two developments since the last annual report are of unusual significance to security holders. The first is the compromise, on July 5, 1939, of the Federal Government's claims for unpaid taxes for the years 1927 to 1933. At the same time, the Government lifted the liens against the property of Associated Gas and Electric Corporation and its subsidiaries which had been filed in order to protect these claims, retaining a lien only on certain securities to assure payment of deferred instalments under the compromise agreement. This compromise, which is described more fully on pages seven and eight of this report, opens the way to refunding operations by Associated subsidiaries which should result in substantial savings.

On March 29, 1938, Associated Gas and Electric Corporation registered as a holding company under the Public Utility Holding Company Act of 1935, and on December 1, 1938 the Corporation's parent company, Associated Gas and Electric Company, filed with the Securities and Exchange Commission a tentative plan of integration and simplification, looking toward compliance with the Act. The consummation of this plan, with any modification thereof, will bring about major changes in the physical composition and corporate organization of the System.

SUMMARY OF CONSOLIDATED EARNINGS AND EXPENSES

(Including operations of companies acquired during the periods from the dates of acquisition only)

	Twelve months ended June 30, 1939	Years ended December 31,	
		1938	1937
Total operating revenues.....	\$132,180,315	\$129,322,984	\$125,599,081
Operating expenses and maintenance.....	\$ 64,694,485	\$ 65,282,501	\$ 64,802,823
Provision for retirements, etc., of fixed capital.....	13,108,719	11,981,815	10,876,466
Provision for taxes.....	17,870,509	17,264,663	15,360,076
Total	\$ 95,673,713	\$ 94,528,979	\$ 91,039,365
Operating income	\$ 36,506,602	\$ 34,794,005	\$ 34,559,716
Other income (net).....	132,380	761,907	1,935,874
Gross income	\$ 36,638,982	\$ 35,555,912	\$ 36,495,590
Interest and dividend charges, etc., of subsidiaries.....	26,131,923	25,852,318	25,623,094
Balance	\$ 10,507,059	\$ 9,703,594	\$ 10,872,496
Interest charges, etc., of Associated Gas and Electric Corporation	6,349,849	6,390,932	6,286,933
Balance of income.....	\$ 4,157,210	\$ 3,312,662	\$ 4,586,103

NOTES:

- (1) The above statement does not include income of subsidiaries from investments in Associated Gas and Electric Company and interest declared on 5% income note payable to Associated Gas and Electric Company, which are included in consolidated earned surplus for all periods.
- (2) The 1937 figures have been revised, for comparative purposes, to include \$189,693 of non-recurring expense which amount was treated as a surplus charge in last year's annual report.

RESULTS OF OPERATIONS

EARNINGS AND EXPENSES—Total operating revenues amounted to \$129,322,984 for the year 1938, which is an increase of \$3,723,903 or about 3% over the previous year, according to the summary of consolidated earnings and expenses of the Corporation and its subsidiaries, as shown on the preceding page.

During 1938, operating expenses and maintenance increased only \$479,678 to a total of \$65,282,501. The latter figure includes \$1,003,533 of extraordinary expense representing the cost of initial installation of continuing property records, a requirement of regulatory authorities, which is further explained under the subject of "Accounting" on page eleven of this report. The provision for retirements increased \$1,105,349 from the amount of \$10,876,466 provided in 1937. This provision has been further increased to \$13,108,719 for the twelve months ended June 30, 1939.

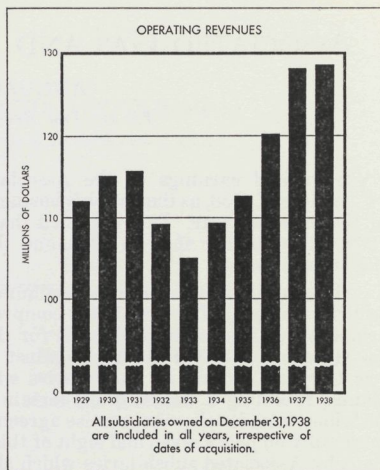
Taxes amounted to \$17,264,663 for 1938, representing an increase of \$1,904,587 for the year. A further discussion of this important problem of increasing taxation and its effect upon the System is included on page seven.

After all interest and dividend requirements of subsidiary companies there was a balance of \$9,703,594 before interest charges of Associated Gas and Electric Corporation. The latter, exclusive of interest declared on income note payable to the parent company which was charged to surplus, amounted to \$6,390,932 leaving a balance of income of \$3,312,662 for 1938 compared with a balance of \$4,586,103 in the preceding year.

Since the figures were available, results of operations for the twelve months ended June 30, 1939 are also included in the summary of consolidated earnings and expenses shown on the preceding page. This statement, reflecting a balance of income amounting to \$4,157,210 for the current twelve months, indicates substantial improvement during the year 1939 to date which is largely attributable to curtailment of operating expenses and generally improved business conditions.

The statement shown on page three includes operations of subsidiaries acquired during the respective periods, only from dates of such acquisition. The principal acquisitions during these periods were Bradford Electric Company and Northeastern Water and Electric Corporation, with combined annual gross operating revenues of some \$3,300,000. These companies became part of the Associated System at the end of 1937, and this fact accounts in part for the increase in revenues and various items of expense for the year 1938.

OUTPUT RECOVERING—The general level of industrial production in the United States was 22%



lower in 1938 than the year before, according to the Federal Reserve Board index of industrial production. Despite this major decline in activity, output of electricity of present subsidiaries of Associated Gas and Electric Corporation for the year 1938 was 4,512,910,278 kilowatt hours, a decrease of only 3.2% from 1937. This compares with a decline of 4.3% for the industry as a whole. Gas sendout was 19,636,680,200 cubic feet for the year, or 3.1% higher than in 1937.

Recent months have shown encouraging increases in the use of electricity. Electric output in April, May and June, 1939, reflected increases ranging from 10.4% to 13.6%, over the same months of 1938. Use by large power customers is the first class of service to be affected by a general industrial recession, and these demands were considerably curtailed during the latter part of 1937 and well into 1938. For each month of the year 1939 to date, however, industrial sales have shown increases over a year ago. Use by residential electric customers averaged 745 kilowatt hours per customer in 1938 compared with 699 kilowatt hours a year ago, or an increase of 6.6%.

1,762,029 CUSTOMERS—There was an increase during 1938 of 48,249 in the number of customers served by all properties owned at December 31, 1938, the total rising to 1,762,029 from 1,713,780 at the end of 1937. Companies now in the Associated System served 336,000 more customers than they did in 1929.

SOURCES OF OPERATING REVENUES
1938

ELECTRICITY:

Residential 32.3%

Commercial 17.8

Power 18.5

Other 10.9

Total Electricity 79.5

GAS

Total Elec. and Gas 11.0

OTHER

9.5

Total 100.0%



19,298 EMPLOYEES—The number of regular employees in the Associated System was reduced to 19,298 at the end of 1938 from a total of 20,508 on System pay rolls the year before. Total pay roll also decreased to \$33,062,560 from an amount of \$35,131,424 in the previous year. These figures are based on inclusion, for both periods, of all properties owned at the end of 1938.

SALES PROMOTION—The Associated System continued to promote the sale of its service to residential, commercial and industrial customers, although it did not engage in the direct sale of appliances to the same extent as heretofore. For the past several years the System has had a definite program for assisting independent dealers in promoting the sale of appliances. The revenue received from residential and commercial customers continued to increase at about the same rate as in the industry as a whole.

During the past year, the Associated System helped the communities served by its operating companies to gain 251 new industries, employing 7,956 workers. In addition, 228 industries which were already located in these communities expanded their operations, employing 5,826 more workers. Both of these activities resulted in the addition of approximately \$886,000 of electric and gas revenue from service to these industries.

This activity has been part of a definite industrial development program in which community organizations, Associated operating companies, and the System's Industrial Development Division, cooperated. The object of this program was to

assist industrial concerns to find sites where they could operate more efficiently, and to help existing industries expand their operations—both activities resulting in increased employment in the areas served.

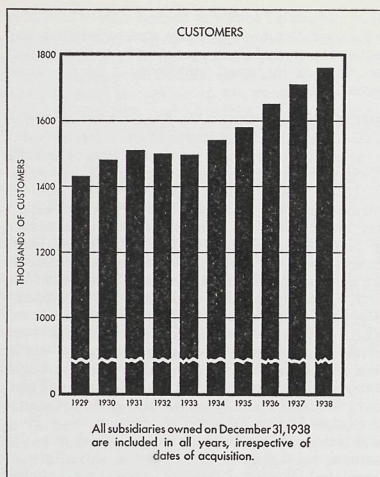
EFFECTS OF HURRICANE—Aid from other companies in the Associated System was of considerable value in assisting operating companies whose service was impaired by the severe hurricane of September 21, 1938. Crews and supplies were sent into the storm-torn areas, making possible the rapid repair and restoration of service. In the area served by New Jersey Power & Light Company, high tension lines were blown down and considerable damage done to distribution lines. Crews sent from Easton, Pa., by the Metropolitan Edison Company helped the New Jersey company to restore service. When service in the New Jersey area was completely restored, the New Jersey company was in turn able to assist The Patchogue Electric Light Company, on Long Island, which had suffered heavy damage. Patchogue was also given assistance by Staten Island Edison Corporation. New England Gas and Electric Association, which is under common management but is not a subsidiary of Associated Gas and Electric Corporation, suffered the most serious damage to its facilities. The Association was assisted in repairing this damage by crews sent from points as far distant as Johnstown, Pa., and Binghamton, N. Y., as well as from other areas within the territory served by subsidiaries of Associated Gas and Electric Corporation.

The ability to provide promptly for the interchange of men and equipment in such times of emergency is essential to good service, and represents one of the important advantages of group management.

RATE REDUCTIONS

The estimated saving to customers as a result of rate reductions made effective by System companies during the past year will amount to \$1,639,000 annually, which brought to a total of \$17,080,000 annually the reductions made by present subsidiaries during the past ten years. Both of these amounts are based upon the customers' continued consumption of the same amount of electricity as was used during the twelve-months' periods prior to the reductions. The largest reductions in 1938 were as follows: Staten Island Edison Corporation, \$527,000; Rochester Gas and Electric Corporation, \$399,000; and New Jersey Power & Light Company, \$284,000.

A comparison of the average residential electric rate charged by System companies in 1928, with the present average, indicates a 46% decline during the past ten years.



The following tabulation shows the total rate reductions each year by companies in the Associated System at December 31, 1938, irrespective of dates of acquisition.

	For the Year	Cumulative Total
1938.....	\$1,639,000	\$17,080,000
1937.....	2,953,000	15,441,000
1936.....	1,923,000	12,488,000
1935.....	3,019,000	10,565,000
1934.....	1,106,000	7,546,000
1933.....	2,166,000	6,440,000
1932.....	861,000	4,274,000
1931.....	1,175,000	3,413,000
1930.....	1,134,000	2,238,000
1929.....	1,104,000	1,104,000

The record of the electric light and power industry in constantly reducing rates in the face of a higher cost of living has been conspicuous. Since 1913, the average residential rate for the country as a whole has *declined* 51%, whereas the cost of living was 44% *higher* in 1938 than in 1913. During this entire period, rates were increased over the preceding year only twice, namely in 1918 and 1925, but even though increased, the average rate for both years was still lower than in 1913.

During the years 1913 to 1932, the reductions in the average residential electric rate averaged about 2% a year. Since 1932 they have averaged about 4% a year. The reduction in rates from 1913 to 1932 was in large part caused by the voluntary introduction by the industry of the promotional type of rate under which the average rate tends to decline as use increases. Flat reductions in rates were made possible by the decreasing unit cost of generating, transmitting, and distributing electric power as the result of a larger sales volume and the many improvements in operating efficiency which have taken place. Whereas today, for example, it takes an average of only 1.42 pounds of coal to produce one kilowatt hour of electricity, a quarter of a century ago it took 4.4 pounds to accomplish the same result.

Although customers have derived considerable benefit from rate reductions in past years, the fact remains that such reductions, together with higher taxes, cost of compliance with requirements of regulatory authorities, and other factors, have in many cases reduced the operating companies' net earnings to a point where investment in junior securities of public utility companies has been considerably discouraged. If the growing demands upon the utility industry for extension of lines and for other services are to be met, it is certain that more consideration will have to be given to the requirements of the investor. A general recognition of this fact should result in a lessening of

SUMMARY OF CONSOLIDATED STATISTICS

(Including all properties owned at December 31, 1938 — irrespective of dates of acquisition)

	1938	1937	% Increase
Number of electric customers.....	1,341,616	1,298,644	3.3
Total electric sales (kilowatt hours).....	3,701,537,982	3,880,044,437	4.8*
Kilowatt hours sold per average residential customer.....	745	699	6.6
Number of gas customers.....	321,451	318,365	1.0
Total gas sales (cubic feet).....	17,993,115,400	17,403,951,700	3.4
Cubic feet sold per average residential customer.....	32,800	32,800	—

* Decrease

the pressure for further rate reductions, except when they are economically justified.

EDISON RATE CASE—On November 30, 1937, the Pennsylvania Public Utility Commission issued a temporary rate order prescribing lower rates equivalent to a reduction of \$435,000 per year in gross revenues of a subsidiary, Edison Light and Power Company, of York, Pa. A permanent injunction from this order was obtained by the company from the Federal Statutory Court (Eastern District of Pennsylvania) which, however, was set aside by the United States Supreme Court in a decision handed down April 17, 1939.

The Supreme Court found that the required reduction in rates was not confiscatory and that, since the Commission had applied the temporary rate provisions of the Pennsylvania public utility law as requiring a fair return on all elements of property values heretofore recognized by the Supreme Court, it was not necessary to decide the constitutionality of the law.

TAXES AT \$17,156,000

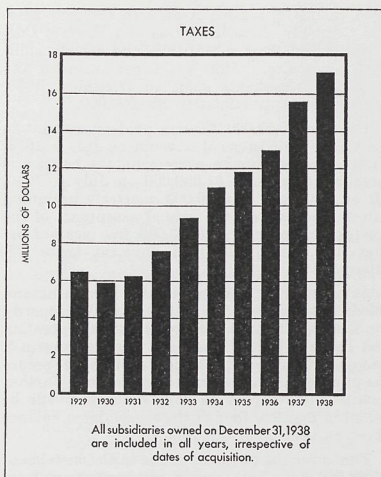
The increase in taxes was again substantial last year, amounting to \$1,544,394 or 9.8% over 1937, and bringing the total taxes of Associated Gas and Electric Corporation and its subsidiaries to \$17,156,353. These figures reflect, on a comparable basis for both years, the taxes of all companies owned at December 31, 1938.

The extent to which taxes have increased is apparent from various comparisons. For instance, if the taxes for the year 1938 are divided by the number of days, they are equivalent to about \$47,000 a day. They amount to about \$3,000,000 more than the total gross revenue from all gas operations. They are equivalent to 52% of the total System pay roll, or to \$889 for every regular employee on the pay roll at the end of 1938.

Since 1930, total taxes of Associated Gas and Electric Corporation and all of its present subsidiaries have increased from about \$6,000,000 to \$17,156,000, a growth of \$11,100,000 or 185%. During the same period, on a comparable basis, gross operating revenues have increased only about \$13,500,000 or 12%.

The public is gradually beginning to realize that increased corporate taxation usually comes back to the individual either in the form of higher prices for materials or services, or the elimination of interest or dividends on his investment. With respect to the utility industry, it is obvious that the public cannot have both increased taxes and lower rates indefinitely.

Taxes for the past two years, of all subsidiaries owned at the end of 1938, may be classified as follows:



	1938	1937
Federal:		
Income	\$ 3,504,423.12	\$ 2,897,293.67
Electric energy	1,855,172.82	1,728,995.32
Capital stock and excess profits	441,276.01	349,091.48
Old age benefit.....	267,253.22	260,941.88
Unemployment insurance..	88,366.10	70,679.86
Other	194,940.01	199,375.31
Total	\$ 6,351,431.28	\$ 5,506,377.52
State:		
Electric energy	\$ 2,248,690.45	\$ 1,725,711.37
Property and franchise....	1,193,170.25	1,175,351.33
Unemployment insurance...	772,413.26	487,101.57
Income	674,300.51	637,220.52
Capital stock	412,275.77	643,269.87
Other	399,082.10	404,332.99
Total	\$ 5,699,932.34	\$ 5,072,987.65
Local:		
Real estate and personal property	\$ 4,176,059.71	\$ 4,165,555.32
Electric energy	318,981.55	269,408.95
Other	498,155.37	459,045.53
Total	\$ 4,993,196.63	\$ 4,894,009.80
Miscellaneous	\$ 111,792.77	\$ 138,584.43
Combined total	\$17,156,353.02	\$15,611,959.40

TAX CLAIMS SETTLED

The Commissioner of Internal Revenue on July 5, 1939, accepted a compromise offer of \$8,700,000 in settlement of jeopardy assessments and alleged deficiencies in connection with the Federal income and excess profits taxes for the years 1927 to

1933, inclusive, against Associated Gas and Electric Company, Associated Gas and Electric Corporation and their subsidiaries and certain affiliated companies. This settlement included the jeopardy assessments made in December, 1935, aggregating approximately \$50,000,000.

The sum of \$3,000,000 was paid on account to the Collector of Internal Revenue on July 5, 1939. Under the compromise agreement, the balance is payable as follows: \$1,000,000 on July 5, 1940, fifteen payments of \$300,000 quarterly beginning fifteen months from the date of acceptance of the compromise offer and \$200,000 five years from that date. Each deferred payment bears 6% interest.

As a result of the compromise agreement and the initial payment of \$3,000,000, all jeopardy tax liens against the property of the Corporation and its subsidiaries have been released, except a lien on certain securities which is retained to secure the payment of the deferred instalments. Further details with respect to this settlement will be found in footnote four of the consolidated balance sheet, on page 23 of this report.

Funds for the payment of the initial instalment of \$3,000,000 of the compromise agreement were provided through the sale by certain subsidiaries of preferred stock of New York State Electric & Gas Corporation, in connection with bond and preferred stock financing by that corporation. Upon completion of this financing, which is more fully described on page nine, the above amount was paid to Associated Gas and Electric Corporation by these subsidiaries in repayment of loans previously made, to be used as the aforementioned initial instalment.

CONSTRUCTION OF \$14,808,000

Operating companies now in the Associated System spent \$14,808,000 for construction in 1938, and are planning to spend a somewhat greater amount for similar purposes in 1939. The expenditure last year brings to about \$200,000,000 the cost over the past ten years of construction and improvements by companies now in the System.

The companies which did the largest amount of work in 1938 were New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation. In the case of the first company the major expenditures were for work on projects carried over from 1937. These included completion of construction of the 20,000-kilowatt generating plant and sub-station at Dresden, N. Y., and transmission lines between Montour and Geneva and from Lapeer to Norwich, which facilities complete the interconnection of the properties of New York State Electric & Gas Corporation in the central

part of the State. Work approved in 1938 but still under way included construction of power supply lines and a sub-station in the Liberty area. Construction by the Rochester company included completion of a third unit for one of its generating stations and a rearrangement of transmission lines.

Other important work during the year in the System was construction of a transmission line connecting Georgia Power and Light Company (a subsidiary) and Georgia Power Company, and installation of new boilers for the Seward plant of the Pennsylvania Electric Company. Another major expenditure was the purchase of 52 coaches for Staten Island Coach Company, Inc.

New York State Electric & Gas Corporation will have the largest construction program in 1939; this company is the largest operating unit in the Associated System. The projects will consist principally of sub-stations, and transmission and distribution lines.

Expenditures for construction by present subsidiaries during the past ten years have been as follows—

	For the Year	Cumulative Total
1938.....	\$14,808,000	\$199,614,000
1937.....	26,228,000	184,806,000
1936.....	17,570,000	158,578,000
1935.....	11,664,000	141,008,000
1934.....	7,837,000	129,344,000
1933.....	6,236,000	121,507,000
1932.....	6,477,000	115,271,000
1931.....	24,274,000	108,794,000
1930.....	38,687,000	84,520,000
1929.....	45,833,000	45,833,000

RURAL ELECTRIFICATION—Service was extended to 9,718 additional rural customers in 1938. Institution of this service required the building of 1,516 miles of rural lines at a total cost of approximately \$2,300,000. The number of customers added averaged 6.4 per mile, compared with an average of 9.4 customers per mile of rural line for all subsidiaries of Associated Gas and Electric Corporation, at the end of 1938. The tabulation below shows the progress that has been made in extending service to outlying districts. The figures show the lines in operation, cumulative cost to date, and total number of customers served at the end of each year:

Year	Miles of Lines	Cumulative Cost	Customers Served
1938.....	24,720	\$43,472,548	232,986
1937.....	23,204	41,172,364	223,268

The program contemplated for 1939 will again substantially increase the number of rural customers by the end of the year. It will mean an increase in the Associated System's investment in rural electrification to more than \$46,000,000. Approximately 2,000 miles of rural lines will be erected during the year.

FINANCIAL

NEW YORK STATE FINANCING—On May 29, 1939, the New York State Electric & Gas Corporation filed with the Securities and Exchange Commission a registration statement covering \$13,000,000 of 3¾% first mortgage bonds, due 1964, and 60,000 shares of 5½% cumulative preferred stock of \$100 par value. These issues were authorized on June 21, 1939 by the New York State Public Service Commission. On June 29, the Securities and Exchange Commission entered the necessary orders under the Public Utility Holding Company Act of 1935, to permit the issue and sale of these securities. Proceeds to the New York State company from the sale of the bonds and 29,276 shares of the preferred stock, together with other funds of that company, will be used for the refunding, by redemption, of underlying mortgage bonds of constituent companies, the payment and discharge of notes of the New York State company, redemption of 3,878 shares of its \$1.25 cumulative preferred stock, expenditures for additional property, and other purposes.

The retirement of the underlying bonds (five issues), payment of two bank loans and redemption of the preferred stock have greatly simplified the company's capital structure, in addition to effecting a substantial saving in annual interest requirements. The first mortgage bonds now cover the entire property of the company subject only to \$5,000,000 of non-callable divisional lien bonds.

In connection with the financing described above, two other subsidiaries of Associated Gas and Electric Corporation also sold 30,724 shares of 5½% preferred stock of the New York State company which they had received in exchange for 5% preferred stock previously held by them. The proceeds from this sale of preferred stock provided the funds which were used to make the initial payment of \$3,000,000 under the compromise agreement with the Commissioner of Internal Revenue, to which reference is made on pages seven and eight.

MATURING OBLIGATION—The eight-year bonds of Associated Gas and Electric Corporation are due March 15, 1940. These bonds were issued in 1932 when the System was confronted with the task of providing for certain maturing obligations, despite the extremely unsatisfactory market and economic conditions which existed at that time. At this writing, there are approximately \$6,200,000 of these bonds outstanding in the hands of the public and consideration is being given to plans which will provide for the payment of the entire issue at maturity.

"CURRENT POSITION"—As last year's report pointed out, the limitations of consolidated balance sheets are such as to distort the relationship between "current assets" and "current liabilities" and give

a false impression of "current position" unless various modifying factors are taken into account. For example, the consolidated balance sheet at December 31, 1938 shows various items totaling \$48,504,945 which might be classed as "current liabilities," and in fact similar items were so described in the consolidated balance sheet of the same date reported by Associated Gas and Electric Company to the Securities and Exchange Commission (form 10-K), in accordance with the registrant's interpretation of the instructions governing such returns. Included in the above total of \$48,504,945, however, are at least \$15,000,000 of obligations which, while "current liabilities" in form, either (1) are in process of funding or covered by collateral more than sufficient to fund them if necessary, or (2) do not represent liabilities that must be liquidated within a year from the date of the balance sheet. More specifically these are:

1. \$1,500,000 of long-term debt of subsidiary companies due in 1939, of which \$1,200,000 has already been refunded and the balance, it is expected, will be refunded with long-term obligations during the current year.

2. \$1,418,000 of matured long-term debt of a subsidiary in process of reorganization which will undoubtedly be refunded in some form and not liquidated.

3. \$6,219,757 of notes payable with collateral. Most of this collateral consists of System securities, and if such securities were sold to liquidate the notes in support of which they are pledged, the effect would be equivalent to the funding of short-term obligations by long-term debt or equity securities. To the extent that the collateral consisted of securities of companies not in the consolidation, its sale to liquidate the notes would, of course, represent the paying off of a short-term obligation through the sale of miscellaneous investments.

4. \$6,020,692 of "Customers' Service and Line Deposits." As emphasized in last year's report this item does not represent obligations which must be promptly liquidated and insofar as it consists of amounts paid by customers as their share in the capital cost of otherwise unprofitable extensions, it could be more accurately characterized as long-term debt. Part of the item, however, represents deposits by customers to guarantee payment of bills for service and the amount of such deposits received during any usual accounting period is normally a little more than the amount which is returned to depositors or applied against uncollectible accounts.

The following items would also have to be classed as "current assets" in a "10-K" report to the Securities and Exchange Commission:

Cash (including working funds).....	\$ 9,758,240
Notes and Accounts Receivable (less reserve of \$1,162,492).....	11,247,777
Materials, Supplies, and Merchandise.....	5,041,718
Total	\$26,047,735

However, in addition to this \$26,047,735 there are other assets of an estimated value of at least \$18,000,000 not classified as "current" but, never-

thees, available for sale if necessity should arise, subject, where necessary, to obtaining authorizations from regulatory authorities. They are:

1. At least \$7,000,000 in value of the securities carried at an aggregate value of \$12,445,850 on the consolidated balance sheet as "Miscellaneous Investments", exclusive of the miscellaneous investments pledged as collateral for the \$6,219,757 of notes previously mentioned.

2. At least \$1,000,000 in value of marketable investments in affiliated companies, exclusive of notes and open accounts.

3. At least \$10,000,000 in value of securities intercorporate owned and therefore eliminated from the consolidated balance sheet but available for sale, if necessary, to liquidate short-term obligations.

In the foregoing, the contra items for "Deposits for matured bonds, bond interest, dividends, etc." and "Appliance accounts receivable sold," which may be considered as "current assets" and "current liabilities," have been omitted since, as they offset each other, they do not affect "current position."

78,855 SECURITY HOLDERS

Registered and coupon security holders of Associated Gas and Electric Corporation numbered 78,855 at the end of 1938. Of this number, 76,805 were in the United States and its possessions, and 2,050 were in foreign countries. All of the States were represented, with 24,019 in New York and 16,388 in Pennsylvania. There are Associated security holders in 21 countries overseas.

LITIGATION

BANKRUPTCY ACTION DISMISSED—Judge Alfred C. Coxo of the United States District Court of the Southern District of New York dismissed, on January 21, 1939, a proceeding brought against the parent company, Associated Gas and Electric Company, by three security holders who petitioned for reorganization of that company under Chapter 10 of the National Bankruptcy Act. Judge Coxo granted the company's motion to dismiss the petition on the ground that it had not been filed in good faith.

UTILITIES POWER & LIGHT CASE—Certain subsidiaries of Associated Gas and Electric Corporation hold approximately 337,000 shares of class B stock and 363,000 shares of common stock of Utilities Power & Light Corporation, which is in process of reorganization under Section 77B of the Bankruptcy Act. These investments cost about \$9,250,000.

In connection with that reorganization, Associated System representatives have consistently taken the position that the interests of all security holders of Utilities Power & Light Corporation would best be served by the use of the large cash resources of that company for the physical and

financial rehabilitation of its operating subsidiaries. A plan for reorganization of Utilities Power & Light Corporation was filed on this basis providing for the investment of up to \$21,450,000 in its various subsidiary companies. However, pursuant to a ruling of the Securities and Exchange Commission and the Federal District Court in Chicago, the trustee of Utilities Power & Light Corporation was permitted to use a substantial portion of its cash resources to acquire its own debentures, and the plan of reorganization proposed by Associated interests became impossible of execution.

An amended plan of reorganization was recently filed for Utilities Power & Light Corporation by Atlas Corporation. Under an order dated July 26, 1939, the Securities and Exchange Commission approved this plan which makes no provision for the holders of class A, class B, or common stocks of Utilities Power & Light Corporation. The reorganization plan is now in the hands of the United States District Court in Chicago, for approval.

In preparation of the consolidated statements, the investments of subsidiaries in stocks of Utilities Power & Light Corporation were written down to market value as of December 31, 1938, and during the current year such investments were finally written off entirely.

GOVERNMENTAL MATTERS

INTEGRATION PLAN FILED—On December 1, 1938, the Corporation's parent, Associated Gas and Electric Company, filed with the Securities and Exchange Commission a tentative plan of integration and simplification to comply with Section 11 of the Public Utility Holding Company Act of 1935. This section of the Act provides that a holding company's operations shall be limited to a single integrated public utility system, although additional systems may be allowed and other businesses, in addition to gas and electricity, may be retained under certain conditions. Section 11 also requires that holding companies take certain steps toward simplifying their corporate structures.

The Associated's tentative plan of integration provided for two groups of properties, a Middle Atlantic system and a Southern group. It proposed the elimination, principally through merger or consolidation, of 112 companies from the Associated structure, reducing the 172 companies which existed at the date the plan was filed, to 60. The plan contemplates the ultimate elimination of all but three public utility holding companies, one of which would be Associated Gas and Electric Company or Associated Gas and Electric Corporation or their successor company, and the other two would be intervening holding companies.

The proposed Middle Atlantic integrated public utility system included properties located almost entirely in the States of New York, Pennsylvania, New Jersey, Maryland, Delaware, Virginia, and West Virginia. The proposed Southern group included public utility systems in the Carolinas, Florida, Georgia, Kentucky, and Tennessee. A map of these two major groups is shown on page 35 of this report. There are also 24 operating companies whose properties are not included in the Middle Atlantic and Southern groups. These are located principally in the Middle West and Southwest and the plan contemplates their sale or exchange for other properties. The gross operating revenue of these companies is only about 5 per cent of the total gross operating revenue of the System.

Since the plan was originally filed, there have been conferences with representatives of the Securities and Exchange Commission and the latter have been advised by Associated Gas and Electric Company of its willingness to dispose of the so-called Southern group of properties, as and when satisfactory prices or exchanges can be obtained.

SALES AND MERGER OF PROPERTIES—Several small operating properties have recently been sold and other changes are in prospect.

Most of the Tennessee properties of Kentucky-Tennessee Light and Power Company were disposed of during the past few months to the Tennessee Valley Authority or to the communities which these companies formerly served. The aggregate amount received was \$1,252,000.

The Associated interest in Southern Ice Company, Inc., was recently sold.

Other properties sold in 1938 and early in 1939 included a small electric company in New Mexico and electric and water properties in Indiana.

Both the Federal Power Commission and the Pennsylvania Public Utility Commission have approved the merger of Northern Pennsylvania Power Company into Metropolitan Edison Company. An application has been made to the Securities and Exchange Commission in order to obtain whatever approval is required of the latter under the Public Utility Holding Company Act of 1935, in order to consummate the merger.

During the year two small companies were purchased, the Hazleton Water Company in Pennsylvania, and the New Jersey Northern Gas Company.

374 COMPANIES ELIMINATED—The process of elimination through merger, consolidation, or dissolution of companies whose separate corporate existence has served its purpose, is not new in the Associated System. Since 1922, the System's corporate struc-

ture has been simplified by the elimination of 374 companies. Twenty of these companies were eliminated in 1938 and three thus far in 1939. The number of companies eliminated in each of the past years is as follows:

1922.....	2	1931.....	22
1923.....	1	1932.....	27
1924.....	18	1933.....	27
1925.....	17	1934.....	15
1926.....	33	1935.....	44
1927.....	34	1936.....	22
1928.....	19	1937.....	8
1929.....	43	1938.....	20
1930.....	19	1939 (to May)	3

INVESTIGATION—Early in 1939, various officials of companies in the Associated System appeared before the Federal Power Commission in connection with a joint investigation by that Commission and the Pennsylvania Public Utility Commission. The purpose of this investigation was to determine the financial or managerial relationships existing between the Associated Gas and Electric Corporation subsidiaries and organizations which, to December 31, 1938, supplied them accounting, tax, engineering, and other services and whether the charges for such services have been just and reasonable. The Federal Power Commission has been afforded access to the books and records of various subsidiaries of the Corporation and the latter is advised that the Commission has been afforded access to the books and records of the service organizations referred to above.

AUDITING

In accordance with established practice, the accounts of Associated Gas and Electric Corporation and its subsidiaries for the year 1938 have been examined by independent public accountants. A copy of the accountants' report appears on pages 14 to 25, inclusive.

In addition to the examinations by the independent public accountants, the Corporation and its subsidiaries have for years maintained a system of internal check as part of their regular accounting procedure. This has included periodic examinations by traveling auditors, constant review of standardized reports prepared by the operating properties, and regular investigation as to the efficiency of the subsidiaries' systems, methods, and accounting personnel.

ACCOUNTING

The Federal Power Commission and various State regulatory commissions, under whose jurisdiction most of the subsidiary companies operate, have prescribed new uniform systems of accounts which require that studies be made to determine the original cost of electric and gas properties when first devoted to the public service, and that a restatement be made to reflect the fixed capital

accounts at original cost. The difference between such original cost and the amount as stated in the fixed capital account under the former uniform system of accounts will be transferred to fixed capital adjustment accounts, and further disposition of this difference will await the rulings of the regulatory bodies. Cost of the required fixed capital studies, and other expense in connection with the initial installation of continuing property records, aggregated approximately \$1,900,000 to June 30, 1939. Most of the subsidiaries are still engaged in this work.

The new uniform systems of accounts also prescribe a method of accounting for depreciation which is in effect an amortization of original cost, whereas under the former method the charges to depreciation made by subsidiary companies represented their estimate of a reasonable annual provision for losses to be realized upon retirement of property. Since the original cost studies have not yet been completed, the effect of accounting for depreciation according to the newly prescribed method cannot be determined at present.

In preparation of Federal income tax returns, the Corporation and its subsidiaries have claimed depreciation in accordance with applicable regulations of the Bureau of Internal Revenue. For 1938, the aggregate amount so claimed is approximately \$3,000,000 in excess of the provision made on the books of these companies. In view of current increases in depreciation charges made by a number of subsidiaries, it is estimated that the above excess will be reduced by at least \$1,000,000 during the year 1939.

ORGANIZATION

MUTUALIZED SERVICES—The privately owned service organizations which had previously performed certain financial, accounting, and corporate services for companies in the Associated System, voluntarily withdrew from this work on December 31, 1938. The personnel of these organizations was largely absorbed by The Utility Management Corporation, which supplies management services to Associated subsidiaries. The Utility Management Corporation is entirely owned by the operating companies in the Associated System and the New England Gas and Electric Association and furnishes services to these companies on a non-profit basis.

Application has been made to the Securities and Exchange Commission for approval of The Utility Management Corporation as a mutualized service company. This application is still pending before the Commission.

COMPANY CHANGES—A number of organization changes were made late in 1938 and during the early part of 1939. Mr. Frederick S. Burroughs

has been re-elected vice-president and director of the Corporation. Mr. James D. Mortimer, formerly president of The North American Company and long identified with the public utility industry, was recently elected a director to fill the vacancy created by the resignation of Mr. Henry R. Hayes. Mr. Henry A. Stix was elected vice-president and comptroller, having previously occupied the position of general auditor. Other changes included election of Messrs. J. Lee Rice, Jr., to the office of treasurer, Charles A. Dougherty as vice-president and secretary, and Henry L. Heineman as vice-president. Mr. Francis P. Cummings recently resigned as director.

At the adjourned annual meeting of the stockholders of the Corporation held August 9, 1939, Mr. Lincoln F. Schaub (heretofore not connected with the management) was elected a member of the Board of Directors.

The Stipulation of October 26, 1936, under which three successors to the three independent directors named therein (Messrs. Cummings, Hayes and Prendergast) were to be named by counsel for the petitioning creditors in the 77B proceeding then pending against Associated Gas and Electric Company, has recently been amended in the manner prescribed therein so that successor independent directors of both the Company and the Corporation will hereafter be elected as provided in the by-laws, and may be selected by the management. Messrs. Mortimer and Schaub were both selected by the management.

EMPLOYEES WELFARE

15,923 EMPLOYEES INSURED—At the end of 1938 a total of \$66,703,543 of insurance was in force on the lives of 15,923 employees of companies in the Associated System. This was an average of more than \$4,000 for each insured employee. From the time the Employees' Insurance Plan was installed in temporary form, in 1930, to the end of 1938, claims reaching the sum of \$3,001,290 have been paid in death and permanent disability benefits to 871 beneficiaries.

About 36% of the number of employees who have died since the Plan has been in effect carried no other insurance but that provided by the Employees' Plan; 19% had \$500 or less of outside insurance, and 18% had from \$501 to \$1,000. Only 27% had more than \$1,000 of other insurance.

Part of the cost of the insurance under this Plan is borne by Associated companies. For 1938, the net cost absorbed by employers, after applying dividends and other income against their contributions to gross premiums and deducting administrative expenses, was \$768,576, or less than 2¼% of the total pay rolls of the companies concerned.

PENSION PLANS—During the year 1937 most of the subsidiaries of the Associated System adopted pension plans. At the close of 1938, 62 of these plans were in full operation. The original schedule provided for a graduated retirement age beginning at 75 and reducing each year until 1942, when 70 would become the normal retirement age. During the year four companies were able to amend their plans making 70 the normal retirement age, effective immediately.

Dividends from the Employees Insurance Plan, which had been accumulated by Employees Welfare Association, were turned over during the year to the Pension Trustees and distributed to the accounts of each employer in the Trust Fund.

During the latter part of 1938 the stock of Utilities Employees Securities Company was reclassified and the Pension Trust acquired a new issue of common stock which carries an interest in earnings subsequent to December 31, 1938, in addition to the stock equity subsequent to that date. The former common stock of Utilities Employees Securities Company was at the same time changed into a non-voting Class A stock, 82% of which is held by a subsidiary of Associated Gas and Electric Corporation. Both the Pension Trust and Utilities Employees Securities Company have consented to Orders of the Securities and Exchange Commission declaring them to be subsidiaries of Associated Gas and Electric Company under the Public Utility Holding Company Act of 1935.

INVESTING PLAN—In January, 1939, subscription payments to income notes of Utilities Employees Securities Company were discontinued, as were the contributions by employer companies.

For the present this company will continue its existence as an investing company, paying regular interest to owners of its securities. To employee holders, interest has been paid regularly at 8%

per annum. In addition to the regular 8% paid, extra payments of 1% were made in 1937 and 1938 making a total of 9% in each of these two years.

CREDIT UNIONS—Three Credit Unions are now operating in various parts of the Associated System, and in New England. The Credit Union organized under the laws of Pennsylvania is available to any employee in the System who has no other such facilities available.

These organizations are incorporated under State laws and supervised by State banking departments. They issue no stock, but are owned, financed, and operated by members who are Associated employees. They supplement services provided by other credit agencies such as building and loan associations and mutual savings banks. They are essentially a means by which employees pool part of their cash resources to help one another when unusual financial needs or emergencies develop.

SAFETY WORK—The System continued last year its efforts to prevent accidents among employees. During 1938, there were 518 lost-time accidents among employees of System companies, excluding Manila, compared with 818 in 1937, a reduction of 37%. There were 10 fatal accidents, compared with 21 in the previous year. The hours of exposure to possible accidents in 1938 were only 10% less than in 1937, so this fact accounted for a relatively small part of the improvement shown. A special safety campaign, designed to reduce the relatively large number of accidents during the summer months, was also effective. The total number of accidents which occurred during June, July, and August was reduced from 306 in 1937, to 180 in 1938, a decline of 41%. During these months only two fatal accidents occurred, compared with 13 during the summer period in the preceding year. Similar work will be carried on in 1939.

Respectfully submitted,

For the Board of Directors,

J. I. MANGE,
President.

September 27, 1939.

Associated Gas and Electric Corporation is controlled by Associated Gas and Electric Company, which owns all of its outstanding stock. The debentures of Associated Gas and Electric Corporation have a more direct claim on the earnings of the operating subsidiaries than the debentures of Associated Gas and Electric Company, inasmuch as the income of the latter company is derived solely from its investment in the stock and junior indebtedness of Associated Gas and Electric Corporation. A chart of ownership appearing on page thirty-four of this report shows the relative position of the two companies with respect to their claim upon the earnings of the operating subsidiaries.

ASSOCIATED GAS AND ELECTRIC CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1938 (EXHIBIT A).

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31, 1938 (EXHIBIT B).

STATEMENT OF CONSOLIDATED EARNED AND CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1938 (EXHIBIT C).

PARENT COMPANY STATEMENTS

BALANCE SHEET, DECEMBER 31, 1938 (EXHIBIT D).

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1938 (EXHIBIT E).

STATEMENT OF EARNED AND CAPITAL SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1938 (EXHIBIT F).

ACCOUNTANTS' CERTIFICATE

ASSOCIATED GAS AND ELECTRIC CORPORATION:

We have made an examination of the balance sheet of Associated Gas and Electric Corporation (incorporated in Delaware) and the consolidated balance sheet of the Corporation and its subsidiaries as of December 31, 1938 and of the related statements of income and surplus for the year 1938. In connection therewith, we made a review of the accounting methods and examined or tested accounting records of the companies, except certain subsidiaries which were examined by other independent accountants, and other supporting evidence in a manner and to the extent which we considered appropriate in view of the systems of internal accounting control.

As to the subsidiaries examined by other independent accountants, the amounts included in the accompanying consolidated statements are as shown by their reports except for minor reclassifications to conform to the general classification used in consolidation. The book value of the assets of the companies examined by other accountants amounted to approximately 19% of the total consolidated assets at December 31, 1938 and the gross operating revenues of such companies included in the consolidated statements amount to approximately 23% of the consolidated operating revenues for the year 1938.

Prior to 1938 discount on bonds or debentures held intercorporately at less than par was applied in consolidation as a reduction of the unamortized debt discount and expense of the issuing companies or credited to capital surplus to the extent that such credit discount exceeded the unamortized debt discount and expense of the issuing companies, and, with certain exceptions, no reduction on account of intercorporate holdings was made in consolidation of the amount charged to income

by the issuing companies for amortization of debt discount and expense. As of January 1, 1938 an adjustment has been made restoring to unamortized debt discount and expense and crediting to surplus as of December 31, 1937 (capital surplus) the amount by which the credit discount on bonds or debentures held intercorporately which had previously been deducted from unamortized debt discount and expense exceeded the pro rata amount applicable to the intercorporate holdings. Commencing in 1938 bonds or debentures acquired intercorporately are treated in consolidation in the same manner as bonds or debentures reacquired by an issuing company, that is, the difference between cost and par, adjusted for the proportionate amount of unamortized debt discount and expense of the issuing companies applicable thereto, is credited or charged to earned surplus, and the charges made to income by the issuing companies for amortization are reduced by the amount applicable to intercorporate holdings. Commencing in 1938 the companies have also adopted the policy of crediting profits and charging losses on the sale of securities to earned surplus rather than to capital surplus as had previously been the practice in some instances. The foregoing changes are, in our opinion, in accordance with accepted principles of accounting.

In our opinion, based on our examination and on the reports of other accountants as to the companies whose accounts were not examined by us, and subject to the fact that we are not in a position to express an opinion as to the contingent liability for additional Federal income and for New York City "business" taxes (see Notes 4 and 5 to the balance sheets of the Corporation and of the Corporation and subsidiaries consolidated), or as to the provisions for retirements, renewals and replacements of fixed capital (see Note 1 to the consolidated balance sheet), the accompanying balance sheets and statements of income and surplus, with their footnotes, fairly present, in accordance with accepted principles of accounting, which were consistently followed by the companies except as explained in the preceding paragraph, the financial condition of the Corporation and of the Corporation and subsidiaries consolidated, as of December 31, 1938, and the results of their operations for the year.

HASKINS & SELLS.

Wilmington,
September 26, 1939.

Associated Gas and Electric Corporation

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1938

ASSETS

FIXED CAPITAL—Plant, property, etc., at estimated reproduction cost (shown in memorandum accounts in the case of certain companies) including going value and other intangibles, at various dates of revaluation (with relatively minor exceptions), plus subsequent additions at cost, less retirements; includes approximately \$6,560,000 which has been disallowed in the Federal Power Commission's determination of original cost, the disposition of which has not yet been determined, and approximately \$6,765,000 reported as in process of or subject to retirement; and \$86,871,111.52 uneliminated balance of investments in subsidiaries (Note 1)..... \$ 917,875,273.22

INVESTMENTS (Note 2):

Affiliated companies (including notes and accounts receivable of \$1,580,549.24).....	\$39,388,429.84	
Miscellaneous (\$4,812,011.76 pledged).....	12,445,850.79	51,834,280.63

DEPOSITS FOR MATURED BONDS, BOND INTEREST, DIVIDENDS, ETC. (contra) 1,250,975.52

DEPOSITS FOR SINKING FUNDS, CONSTRUCTION, ETC...... 4,344,371.96

CASH (including working funds)..... 9,758,240.43

NOTES AND ACCOUNTS RECEIVABLE:

Customers	\$ 9,340,617.42	
Appliances—instalment accounts (including \$75,926.77 pledged as additional security for appliance accounts receivable sold).....	1,688,632.93	
Miscellaneous (including \$86,303.99 due from employees).....	1,381,019.17	12,410,269.52

MATERIALS, SUPPLIES (including construction material) **AND MERCHANDISE** (\$595,864.22)—(book inventories adjusted to physical inventories taken at various dates, at average cost) 5,041,717.92

APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra)..... 3,395,406.79

DEFERRED DEBIT ITEMS:

Unamortized debt discount, premium and expense.....	\$27,098,252.56	
Prepayments	895,372.64	
Miscellaneous unadjusted debits.....	2,046,221.80	30,039,847.00

TOTAL	\$1,035,950,382.99	
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SEE NOTES ON PAGES 23 AND 24 WHICH ARE AN INTEGRAL PART OF THE CONSOLIDATED BALANCE SHEET.

EXHIBIT A

Associated Gas and Electric Corporation

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

December 31, 1938

LIABILITIES

CAPITAL STOCK OF ASSOCIATED GAS AND ELECTRIC CORPORATION—		
671,000 shares of no par value common stock authorized, issued and outstanding (held by Associated Gas and Electric Company).....	\$ 7,398,000.00	
CONSOLIDATED SURPLUS (Notes 3, 4, 5 and 9):		
Capital surplus reserved for conversion of debentures.....	27,061,030.00	
Capital—Exhibit C	149,690,059.95	
Earned—since December 31, 1937—Exhibit C.....	2,394,554.96	
INDEBTEDNESS OF ASSOCIATED GAS AND ELECTRIC CORPORATION TO STOCKHOLDER (Note 3):		
Notes payable (subordinate to all other indebtedness of the Corporation):		
5% income note, due December 1, 1980.....	71,805,120.00	
Non-interest-bearing note, due on or before December 1, 1938.....	4,879,583.59	
Account payable	63,504.02	
Total	\$263,291,852.52	
LESS: INVESTMENTS OF SUBSIDIARIES IN DEBT SECURITIES OF ASSOCIATED GAS AND ELECTRIC COMPANY (Note 2).....	<u>4,348,812.70</u>	\$ 258,943,039.82
CAPITAL STOCK OF SUBSIDIARY COMPANIES AND APPLICABLE SURPLUS OR DEFICIT:		
General Gas & Electric Corporation (Note 2):		
Preferred stocks (including cumulative dividends not currently being paid).....	\$ 6,156,363.45	
Common stocks	11,584,962.84	
Other subsidiary companies:		
Preferred stocks	73,698,994.17	
Common and participating stocks.....	<u>2,177,042.66</u>	93,617,363.12
LONG-TERM DEBT:		
Associated Gas and Electric Corporation (less held by agent for exchange, \$54,875,460; in treasury, \$1,708,215; and owned intercorporate, \$31,567,955)..	\$145,012,890.00	
Subsidiary companies (less held in sinking and other funds, \$5,055,600; in treasury, \$67,676,670; and owned intercorporate, \$599,931,504.40)—(including \$2,234,338.41 maturing within one year).....	<u>392,707,923.48</u>	537,720,813.48
FEDERAL INCOME TAX NOT DUE WITHIN ONE YEAR (Note 4).....		5,700,000.00
MATURED BONDS, BOND INTEREST, DIVIDENDS, ETC. (contra).....		1,250,975.52
MATURED LONG-TERM DEBT AND INTEREST-BEARING SCRIP OF SUBSIDIARIES (including \$1,418,000 of a subsidiary in process of reorganization and \$2,000,000 of another subsidiary which is being reduced by periodical payments)—(less held in treasury, \$2,839,420 and owned intercorporate, \$1,674,900).....		3,596,154.84
NOTES AND ACCOUNTS PAYABLE TO AFFILIATED COMPANIES.....		283,728.68
NOTES PAYABLE (\$6,219,757.06 with collateral).....		9,056,376.75
ACCOUNTS PAYABLE		5,569,259.80
DIVIDENDS (being currently paid) ACCRUED ON PREFERRED STOCKS OF SUBSIDIARY COMPANIES		232,771.88
TAXES ACCRUED OR PAYABLE (Note 4).....		12,188,940.55
INTEREST AND MISCELLANEOUS ACCRUALS.....		9,322,682.77
CUSTOMERS' SERVICE AND LINE DEPOSITS.....		6,020,692.29
APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra).....		3,395,406.79
RESERVES AND MISCELLANEOUS UNADJUSTED CREDITS:		
Retirements, renewals and replacements of fixed capital (including adjustments arising through revaluation of fixed capital)—(Note 1).....	\$ 79,804,142.96	
Doubtful accounts receivable	1,162,491.97	
Additional Federal income tax for prior years (subject to final determination—Note 4)	1,701,517.57	
Cumulative dividends, not currently being paid, on preferred stocks of subsidiaries	422,216.33	
Other reserves and miscellaneous unadjusted credits.....	<u>2,579,506.77</u>	85,669,875.60
CONTRIBUTIONS FOR EXTENSIONS (non-refundable).....		3,382,301.10
TOTAL		<u>\$1,035,950,382.99</u>

SEE NOTES ON PAGES 23 AND 24 WHICH ARE AN INTEGRAL PART OF THE CONSOLIDATED BALANCE SHEET.

EXHIBIT A

Associated Gas and Electric Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME

For the year ended December 31, 1938

(Including operations of companies acquired in 1938 from the dates of acquisition only)

OPERATING REVENUES:

Electric (Note 1).....	\$102,932,610.84	
Gas	14,186,220.35	
Steam heating, water, ice, transportation, etc.....	12,204,153.28	\$129,322,984.47

OPERATING EXPENSES AND TAXES:

Operating expenses	\$ 57,143,648.76	
Maintenance	8,138,852.52	
Provision for retirements, renewals and replacements of fixed capital (Note 2).....	11,981,814.90	
Provision for taxes:		
Federal income and excess profits.....	3,619,821.08	
Other	13,644,842.34	94,528,979.60

OPERATING INCOME \$ 34,794,004.87

OTHER INCOME:

Interest, dividends, etc. (including \$455,469.87 income of a subsidiary company arising from charges taken up by other subsidiaries in operating expenses).....	\$ 1,392,144.58	
Less—Non-operating expenses	630,237.97	761,906.61

GROSS INCOME \$ 35,555,911.48

DEDUCTIONS FROM INCOME:

Subsidiary companies:

Interest on long-term debt.....	\$ 18,826,373.98	
Other interest	1,164,642.41	
Less—Interest charged to construction (<i>credit</i>).....	195,931.43	
Amortization of debt discount, premium and expense.....	1,290,285.25	
Dividends on preferred stocks paid or accrued.....	4,524,527.11	
Income applicable to minority interest.....	242,420.42	25,852,317.74
Balance		\$ 9,703,593.74

Associated Gas and Electric Corporation:

Interest on eight-year bonds.....	\$ 621,737.79	
Interest on convertible debentures.....	1,328,888.33	
Interest on income debentures.....	4,336,544.13	
Other interest	1,651.38	
Amortization of debt discount and expense.....	102,109.77	6,390,931.40

BALANCE OF INCOME (Notes 1 and 3)..... \$ 3,312,662.34

NOTES:

- (1) Electric revenues include approximately \$435,000 subject to refund in accordance with a ruling of the United States Supreme Court on April 17, 1939, holding an order of the Pennsylvania Public Utility Commission, providing for a temporary reduction of rates, to be constitutional.
- (2) See Note 1 to consolidated balance sheet for policy with respect to provision for retirements, renewals and replacements of fixed capital.
- (3) The above statement does not include income of subsidiaries from investments in Associated Gas and Electric Company, \$463,832.86, and interest declared on 5% income note payable to Associated Gas and Electric Company, \$350,000, which are shown in consolidated earned surplus. The cumulative interest on the income note which is payable only as declared, and for which no provision has been made above, amounted to \$3,590,257.26 for the year.

EXHIBIT B

Associated Gas and Electric Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED EARNED AND CAPITAL SURPLUS

For the year ended December 31, 1938

	Earned Surplus	Capital Surplus
BALANCE, JANUARY 1, 1938 (Note 1).....	—	\$204,811,585.48
Charges and Credits Applicable to Surplus at December 31, 1937 (Note 1):		
Charges:		
Portion of intercompany profit on construction fees eliminated in consolidation against surplus as of December 31, 1937.....	\$ 334,447.42	
Additional provision for Federal income tax for prior years.....	7,200,000.00	
Additional provision for retirements of fixed capital.....	3,842,865.43	
Write-off (on books or in consolidation) of investment of subsidiaries in capital stocks of Associated Gas and Electric Company at December 31, 1937 (previously deducted from capital stock and surplus on the consolidated balance sheet), less amounts received for sales in 1938.....	50,319,179.80	
Write-off of fixed capital.....	1,139,318.57	
Loss on sale of fixed capital realized since December 31, 1937 but which resulted from events occurring prior to that date.....	1,143,896.69	
Provision for future abandonments arising from events occurring prior to December 31, 1937 (less estimated salvage of \$5,000).....	177,128.27	
Restoration to contributions for extensions of amounts transferred therefrom to surplus in prior period.....	132,281.17	
Loss on claims against companies in receivership.....	107,642.84	
Miscellaneous	46,678.88	
Total	\$64,443,439.07	
Credits:		
Adjustment necessitated by change in method of eliminating discounts on bonds held intercorporately and the unamortized debt discount and expense applicable thereto (Note 2).....	\$ 5,487,605.21	
Reversal of miscellaneous reserves.....	414,875.00	
Reinstatement of unamortized debt discount and expense applicable to future period, previously written off.....	156,089.03	
Reversal of provisions for subsidiary preferred stock dividends not currently being paid on shares reacquired.....	79,750.92	
Proceeds from investments and accounts receivable previously written off	460,845.74	
Reduction of minority interest in surplus of subsidiaries.....	6,231.92	
Total	\$ 6,605,397.82	
Net Charge	—	57,838,041.25
Balance	—	\$146,973,544.23
SURPLUS CREDITS:		
Balance of income—Exhibit B.....	\$3,312,662.34	—
Income of subsidiaries from investments in Associated Gas and Electric Company.....	463,832.86	—
Discount on long-term debt reacquired during the year, less unamortized debt discount and expense applicable thereto and net loss on sales by other than issuing companies.....	322,623.71	—
Adjustment of minority interest in surplus of subsidiaries.....	14,700.77	2,739,763.98
Portion of fixed capital and other intangibles previously written off in consolidation, now charged to retirement reserve or current operations.....	—	338,017.96
Excess of par or stated value over cost of subsidiary stocks acquired (net).....	—	80,934.67
Miscellaneous	1,006.67	145,917.22
Total	\$4,085,424.81	\$150,278,178.06
SURPLUS CHARGES:		
Interest declared on 5% income note payable to Associated Gas and Electric Company (Note 3)	\$ 350,000.00	—
Write-down of carrying value of miscellaneous investments.....	480,562.99	—
Loss on sale of investments in subsidiary preferred stocks.....	457,895.62	—
Loss on sale of investments in Associated Gas and Electric Company.....	74,002.33	—
Net loss on sales of sundry investments.....	12,414.58	—
Amortization of premium on subsidiary company bonds called for retirement in prior period.....	280,238.88	—
Excess reproduction cost of fixed capital retired.....	—	\$ 334,891.10
Capital surplus (net) of subsidiaries acquired, sold, reorganized or dissolved during the year.....	—	253,227.01
Miscellaneous	35,755.45	—
Total	\$1,690,869.85	\$ 588,118.11
BALANCE, DECEMBER 31, 1938 (earned surplus is since December 31, 1937).....	\$2,394,554.96	\$149,690,059.95

SEE NOTES ON PAGE 25 WHICH ARE AN INTEGRAL PART OF THIS STATEMENT.

EXHIBIT C

Associated Gas and Electric Corporation

BALANCE SHEET

(Parent Company Only)

December 31, 1938

ASSETS

INVESTMENTS IN SUBSIDIARY COMPANIES (Note 1):

Common and preferred stocks and interest-bearing convertible obligations (of which \$206,664,000 is subordinate to other indebtedness of the issuing companies) at Corporation's valuation.....	\$439,579,375.46	
Notes and accounts receivable and interest-bearing scrip (includes notes and accounts of \$1,458,952.32 subordinate to bank loans of subsidiary companies)....	4,837,786.68	\$444,417,162.14

DEPOSITS FOR MATURED BOND INTEREST (contra).....		220,026.96
CASH		108,104.37
INTEREST RECEIVABLE FROM SUBSIDIARY COMPANIES.....		48,896.25

DEFERRED DEBIT ITEMS:

Unamortized debt discount and expense.....	\$ 3,567,909.23	
Miscellaneous unadjusted debits.....	279.60	3,568,188.83
TOTAL		<u>\$448,362,378.55</u>

LIABILITIES

CAPITAL STOCK AND SURPLUS:

Capital stock—671,000 shares of no par value common stock authorized, issued and outstanding (held by Associated Gas and Electric Company).....	\$ 7,398,000.00	
Surplus (Notes 2, 4 and 5):		
Capital surplus reserved for conversion of debentures.....	27,437,730.00	
Capital—Exhibit F	149,204,477.84	
Earned—since December 31, 1937—Exhibit F.....	15,991.37	\$184,056,199.21

INDEBTEDNESS TO STOCKHOLDER (Note 2):

Notes payable (subordinate to all other indebtedness of the Corporation):		
5% income note, due December 1, 1980.....	\$ 71,805,120.00	
Non-interest-bearing note, due on or before December 1, 1983.....	4,879,583.59	
Account payable	63,504.02	76,748,207.61

LONG-TERM DEBT:

8% eight-year bonds, due 1940.....	\$ 8,815,400.00	
Convertible debentures, due 1973	27,437,730.00	
Income debentures, due 1978 (less \$54,875,460 held by agent for exchange and \$1,708,215 in treasury).....	140,327,715.00	176,580,845.00

FEDERAL INCOME TAX NOT DUE WITHIN ONE YEAR (Note 4).....		5,700,000.00
MATURED BOND INTEREST (contra).....		220,026.96
ACCOUNTS PAYABLE		63,148.51
TAXES ACCRUED OR PAYABLE (Note 4).....		3,118,254.37
INTEREST ACCRUED ON LONG-TERM DEBT.....		1,773,277.44
RESERVE FOR FEDERAL INCOME TAX FOR PRIOR YEARS (subject to final determination—Note 4).....		102,419.45
TOTAL		<u>\$448,362,378.55</u>

NOTE:

The assets and liabilities set forth in the above balance sheet represent the individual accounts of the Corporation as distinguished from those resulting from consolidation with subsidiaries. The assets and liabilities of the Corporation and its subsidiaries on a consolidated basis are shown on pages 16 and 17 (with footnotes relating thereto on pages 23 and 24).

SEE ADDITIONAL NOTES ON PAGE 25 WHICH ARE AN INTEGRAL PART OF THE PARENT COMPANY BALANCE SHEET.

EXHIBIT D

Associated Gas and Electric Corporation

STATEMENT OF INCOME

(Parent Company Only)

For the year ended December 31, 1938

INCOME FROM SUBSIDIARY COMPANIES:

Dividends on common stocks (Note 1).....	\$4,177,737.29	
Dividends on preferred stocks.....	139,102.08	
Interest on bonds.....	54,213.02	
Interest on notes, accounts, convertible obligations, etc. (Note 1).....	3,855,090.26	
Total	\$8,226,142.65	
Less—Income from subsidiary companies attributable to interest on securities of Associated Gas and Electric Corporation and Associated Gas and Electric Company	745,809.48	\$7,480,333.17

EXPENSES AND TAXES:

Expenses	\$ 50,417.48	
Provision for taxes:		
Federal income and excess profits.....	62,197.73	
Other	11,177.11	123,792.32
Balance of income before interest and amortization.....		\$7,356,540.85

INTEREST AND AMORTIZATION:

Interest on eight-year bonds.....	\$ 710,658.41	
Interest on convertible debentures.....	1,330,988.24	
Interest on income debentures.....	5,536,857.51	
Other interest	1,651.38	
Amortization of debt discount and expense.....	148,705.85	
Total	\$7,728,861.39	
Less—Interest paid which is contra to income received from subsidiary companies..	332,022.16	7,396,839.23
Loss (Notes 1 and 2).....		\$ 40,298.38

NOTES:

- (1) The amount shown above for dividends on common stocks is exclusive of \$1,347,262.71 and the interest income on notes, etc., is exclusive of \$24,690.00 credited direct to capital surplus, as such dividends and interest affected surplus at December 31, 1937 (see Note 1 to statement of earned and capital surplus—parent company).
- (2) The above statement does not include income from subsidiary companies attributable to interest on securities of Associated Gas and Electric Company, \$413,787.32, and interest declared on 5% income note payable to Associated Gas and Electric Company, \$350,000, which are shown in earned surplus. The cumulative interest on the income note which is payable only as declared, and for which no provision has been made above, amounted to \$3,590,257.26 for the year.
- (3) The above statement of income (loss) represents the individual accounts of the Corporation as distinguished from those resulting from consolidation with subsidiaries. The statement of income of the Corporation and its subsidiaries on a consolidated basis is shown on page 18.

EXHIBIT E

Associated Gas and Electric Corporation

STATEMENT OF EARNED AND CAPITAL SURPLUS (Parent Company Only)

For the year ended December 31, 1938

	<i>Earned Surplus</i>	<i>Capital Surplus</i>
BALANCE, JANUARY 1, 1938 (Note 1).....	—	\$301,844,227.27
Charges and Credit Applicable to Surplus at December 31, 1937 (Note 1):		
Charges:		
Write-down of investments in subsidiaries (including dona- tion of \$500,000 to subsidiary)—(Note 2).....	\$173,000,000.00	
Additional provision for Federal income tax for prior years	7,200,000.00	
Total	\$180,200,000.00	
Credit:		
Transfer of balance in reserve for contingencies.....	26,000,000.00	
Net Charge	—	154,200,000.00
BALANCE	—	\$147,644,227.27
SURPLUS CREDITS:		
Income from subsidiary companies attributable to interest on securities of Asso- ciated Gas and Electric Company.....	\$ 413,787.32	—
Discount on bonds and debentures reacquired or retired (net).....	17,502.43	—
Excess of amount received for securities sold in 1938 over the written-down carrying value thereof	—	79,453.98
Adjustment of reserve for Federal income tax.....	—	101,843.88
Dividends and interest received from subsidiaries out of surplus at December 31, 1937	—	1,371,952.71
Miscellaneous	—	7,000.00
TOTAL	\$ 431,289.75	\$149,204,477.84
SURPLUS CHARGES:		
Loss—Exhibit E.....	\$ 40,298.38	—
Interest declared on 5% income note payable to Associated Gas and Electric Com- pany (Note 3)	350,000.00	—
Loss on sales of securities of subsidiary company.....	25,000.00	—
TOTAL	\$ 415,298.38	—
BALANCE, DECEMBER 31, 1938 (earned surplus is since December 31, 1937).....	\$ 15,991.37	\$149,204,477.84

NOTES:

- (1) As of December 31, 1937 the Board of Directors authorized the officers of the Corporation to transfer to capital surplus the deficit in the earned surplus account. A similar transfer was made in consolidation of the earned surpluses (or deficits) of subsidiaries.
- (2) To write down investments in subsidiaries to reflect on the books of the Corporation adjustments previously made in consolidation, or made in 1938 as of December 31, 1937 (including adjustment of \$50,502,152.05 to write off the carrying value of investments of subsidiaries in stocks of Associated Gas and Electric Company as of December 31, 1937—such investments having been deducted from the aggregate of capital stock and consolidated surplus at December 31, 1937).
- (3) Interest on the 5% income note payable to Associated Gas and Electric Company, shown above, is the amount declared and paid in 1938. The cumulative interest undeclared, for which no provision has been made in the above statement, amounted to \$3,934,576.18 at December 31, 1938.
- (4) See Notes 4 and 5 to parent company balance sheet relating to contingent liability for taxes.
- (5) The above statement of earned and capital surplus represents the individual accounts of the Corporation as distinguished from those resulting from consolidation with subsidiaries. The statement of earned and capital surplus of the Corporation and its subsidiaries on a consolidated basis is shown on page 19 (with footnotes relating thereto on page 25).

EXHIBIT F

Associated Gas and Electric Corporation
and Subsidiary Companies

NOTES TO CONSOLIDATED BALANCE SHEET

December 31, 1938

- (1) The amount shown for fixed capital does not purport to represent present realizable value or replacement cost. In some instances where properties have been revalued in prior years at estimated reproduction cost (including going value and other intangibles) the adjustments arising from such revaluations are carried in separate accounts (memorandum accounts in some instances) and are not included in reports to public service commissions. Such adjustments at December 31, 1938, included in fixed capital (exclusive of uneliminated balance of investments in subsidiaries) amounted to \$73,862,255.73 and similar adjustments in the retirement reserve amounted to \$1,352,563.49. The capital surplus arising from such revaluations, as well as the capital surplus arising from the revaluation of properties by other subsidiaries which do not maintain separate accounts showing the balance remaining in fixed capital or retirement reserves as a result of revaluations, is eliminated in consolidation against investments in subsidiaries, thereby reducing the uneliminated balance of investments in subsidiaries which is included as additional cost of consolidated fixed capital.

It has been the policy of the operating companies, in general, to make provision for maintenance, retirements, and replacements of fixed capital on the basis of percentages of operating revenue less power and gas purchased, from which amounts are deducted the expenditures for maintenance, leaving provision for retirements and replacements. The percentages applied to the respective classes of revenue have, in general, been from 12½% to 20% for electric, 10% to 18% for gas, and 8% to 10% for heating. Major exceptions to the foregoing are Rochester Gas and Electric Corporation, which provides 8% of electric, 5% of gas and 6% of heating revenues without deduction for maintenance (an additional provision of approximately \$191,000 being made in 1938), and Metropolitan Edison Company and New Jersey Power & Light Company, which provide amounts determined by the management, which are in excess of amounts required under bond indentures and of amounts computed at the rates in general use. In the case of transportation equipment, ice properties, and certain other property of relatively minor importance, provision for retirements and replacements of fixed capital is made on the basis of the estimated life of the property. In certain instances the companies, in addition to the regular provisions for maintenance, retirements, and replacements have made special provision for amortization of specific property items. No separate provision is made for amortization of intangibles, except in minor instances. In certain instances changes were made in 1938 in the rates or bases of provision, the net effect thereof being a decrease of approximately \$380,000 as compared with what the provision would have been on the basis of rates used in 1937. The amounts of provision for depreciation and depletion claimed in Federal income tax returns for the year in the aggregate exceeded the provision for retirements, renewals and replacements, depletion (and depreciation where provision is made as such) in the books (exclusive of additional provision made during the year for prior periods) by approximately \$2,940,000.

In connection with the new uniform system of accounts (effective in most instances January 1, 1938), promulgated by the Federal Power Commission and various state regulatory commissions, the operating companies affected thereby are making a study to ascertain the cost of the property when originally put into service. The companies will be required to restate their property accounts and to change from retirement to depreciation accounting. Until the necessary studies have been completed it is not known to what extent the accounts will be affected but the effect thereof may be material.

- (2) The amounts shown for investments represent cost or companies' valuation and do not purport to represent realizable values or an appraisal at the date of the balance sheet.

Miscellaneous investments include securities carried at \$540,316.64, representing cost or value based on market quotations, whichever was lower, and investments carried at cost or companies' valuation of \$11,905,534.15. The latter amount includes certain investments for which market quotations were available at December 31, 1938, which were less than carrying values, but which have not been written down because the investment value is considered as not being affected by the current fluctuations in market quotations.

The investments of subsidiaries in debt securities of Associated Gas and Electric Company are deducted in the consolidated balance sheet from the aggregate of the capital stock of Associated Gas and Electric Corporation, consolidated surplus, and indebtedness to Associated Gas and Electric Company, for the reason that the assets of Associated Gas and Electric Company consist almost entirely of the capital stock and indebtedness of Associated Gas and Electric Corporation. The investments in debt securities consist of debentures, investment certificates and scrip, at cost, including interest receivable thereon. Investments of subsidiaries in capital stocks of Associated Gas and Electric Company have been written off in the consolidated balance sheet. However, the equity of the minority stockholders of General Gas & Electric Corporation, as shown in the consolidated balance sheet, is computed on the basis of assigning to the investments of a subsidiary of that corporation in the capital stocks of Associated Gas and Electric Company an amount equal to the preference of the stocks in liquidation.

- (3) No provision has been made for undeclared cumulative interest, amounting to \$3,934,576.18, which is payable only as declared, on the Corporation's 5% income note payable to Associated Gas and Electric Company.
- (4) On July 5, 1939, the Commissioner of Internal Revenue accepted the offer in compromise, as amended, made by Associated Gas and Electric Company, Associated Gas and Electric Corporation and General Gas & Electric Corpo-

Associated Gas and Electric Corporation

and Subsidiary Companies

NOTES TO CONSOLIDATED BALANCE SHEET (Continued)

December 31, 1938

ration. This agreement provides for the compromise of all asserted income and excess profits tax liabilities of Associated Gas and Electric Company and its affiliates, General Gas & Electric Corporation and its affiliates, and various affiliated and associated companies, for the years 1927 to 1933, inclusive, for the sum of \$8,700,000, to be paid in installments, of which the initial payment, made on July 5, 1939 by Associated Gas and Electric Corporation, was \$3,000,000. \$1,000,000 is to be paid one year from July 5, 1939, \$300,000 is to be paid fifteen months from such date and every three months thereafter for a total of fifteen payments, and \$200,000 is to be paid five years from such date with interest at the rate of 6% per annum from such date on each deferred payment as it becomes due and payable. Pursuant to the agreement all existing liens for Federal taxes for the years 1927, 1928, 1931 and 1932 against the properties and rights to property of Associated Gas and Electric Company and its subsidiaries have been released, and all the properties and rights to property of that company and its subsidiaries have been discharged from all existing liens for Federal taxes for the years 1929, 1930 and 1933 except certain bonds of The Metropolitan Edison Corporation (to which NY PA NJ Utilities Company is successor) and common stocks of Metropolitan Edison Company, New Jersey Power & Light Company and Northern Pennsylvania Power Company. Certain claims filed in the United States District Courts of Delaware and Florida against Eastern Utilities Investing Corporation and Florida Public Service Company, respectively (both of which companies are subsidiaries of Associated Gas and Electric Company) have been withdrawn. The action in the United States District Court for the Northern District of New York against Associated Gas and Electric Company and various other defendants for the foreclosure of tax liens and for other relief has been dismissed. The agreement was made in compromise and full settlement of any and all liabilities of the taxpayers described therein for the periods listed and provides that upon default in the payment of any instalment of principal or interest, the Commissioner of Internal Revenue may bring suit to collect the entire unpaid balance of the agreement or may disregard the agreement, apply all amounts previously paid thereunder against the liabilities stipulated in the Board of Tax Appeals and may assess and collect, by distraint or suit, the balance of such liability in respect of the assessment made against Associated Gas and Electric Company and affiliates, against any company in the Associated Gas and Electric Company group which joined in the consolidated income tax returns for the years in question (the contingent liability of such companies being \$6,823,866.14, plus accrued interest from July 5, 1939), and in respect of the deficiency against General Gas & Electric Corporation and affiliates, against any company in that corporation's group which joined in the consolidated income tax return for the year 1929 (the contingent liability of such companies being \$3,895,833.33, plus accrued interest from July 5, 1939. Both of these deficiencies are subject to reduction by the amount of any payments made or credits given on account of said deficiencies, which payments and credits now aggregate \$2,492,338.33). Provision for the foregoing liability of \$8,700,000 has been made in the books of Associated Gas and Electric Corporation. In the balance sheet \$3,000,000 is included under the caption of taxes accrued or payable and \$5,700,000 is shown separately as a liability not due within one year. However, this treatment is subject to adjustment pending the determination of the final disposition of the initial and deferred payments on the books of the Corporation and/or its parent, Associated Gas and Electric Company and/or their subsidiaries.

Additional Federal income taxes of approximately \$6,644,000 which are being contested have been asserted against the Corporation and its subsidiaries for the years 1934 to 1936, inclusive.

- (5) On April 14, 1939, Associated Gas and Electric Corporation and twenty-one of its non-operating subsidiaries received "Notices of Claim" for amounts of "Business Tax" allegedly due to the City of New York for tax periods 1933-1937, inclusive, aggregating \$397,142.58 (including interest and penalties). It is the position of the Corporation and each of the taxed subsidiaries that the said assessments are void. A request for hearing as to the jurisdiction of the New York City tax authorities over such companies was filed on June 30, 1939. No date for hearing has yet been fixed.
- (6) Certain securities of subsidiary companies and notes receivable from subsidiary companies which eliminate in consolidation are pledged as collateral to notes payable and long-term debt or deposited under escrow or other agreements.
- (7) The consolidated statements include all subsidiaries, regardless of voting trust agreements or other restrictions, and certain companies which are undergoing reorganization under Section 77B of the Bankruptcy Act, as amended.
- (8) At December 31, 1938, there were pending against the Corporation and various of its subsidiaries miscellaneous actions for money judgments which are insignificant as to amount.
- (9) On November 30, 1937, the Pennsylvania Public Utility Commission ordered a subsidiary to reduce its rates approximately \$435,000 per annum. On April 17, 1939, the United States Supreme Court held the order of that Commission to be constitutional and in this connection the subsidiary is liable for refunds of approximately \$435,000 for 1938 and \$38,000 for 1937.

Associated Gas and Electric Corporation and Subsidiary Companies

NOTES TO STATEMENT OF CONSOLIDATED EARNED AND CAPITAL SURPLUS

For the year ended December 31, 1938

- (1) As of December 31, 1937 the Board of Directors authorized the officers of the Corporation to transfer to capital surplus the deficit in the earned surplus account. A similar transfer was made in consolidation of the earned surpluses (or deficits) of subsidiaries.
- (2) At December 31, 1937 the credit discount, representing the net excess of par over cost of bonds or debentures held intercorporate, was deducted in consolidation from unamortized debt discount and expense of the issuing companies, or credited to capital surplus to the extent that the credit discount on intercorporate holdings exceeded the unamortized debt discount and expense in the books of the issuing companies. In the above statement a consolidation adjustment has been made to leave in unamortized debt discount and expense the amount applicable to bonds or debentures in the hands of the public on a pro rata basis. Commencing in 1938 the difference between par and cost of bonds or debentures acquired after December 31, 1937, adjusted for the unamortized debt discount and expense of the issuing companies applicable thereto, is treated as a net credit or charge to earned surplus. Debt discount and expense applicable to bonds held in sinking fund at December 31, 1937 which had not previously been written off is also included in the above adjustment.
- (3) Interest on the 5% income note payable to Associated Gas and Electric Company charged to earned surplus (\$350,000) is the amount declared and paid in 1938. The cumulative interest undeclared, for which no provision has been made, amounted to \$3,934,576.18 at December 31, 1938.
- (4) See Notes 4 and 5 to consolidated balance sheet relating to contingent liability for taxes and Note 9 relating to liability for refunds under rate case.

NOTES TO PARENT COMPANY BALANCE SHEET

December 31, 1938

- (1) The amounts shown for investments do not purport to represent realizable values or an appraisal at the date of the balance sheet.
- (2) No provision has been made for undeclared cumulative interest, amounting to \$3,934,576.18, which is payable only as declared, on 5% income note payable to Associated Gas and Electric Company.
- (3) The Corporation is contingently liable as guarantor of principal and interest of a subsidiary's note payable of \$950,000; in this connection the Corporation pays 1% interest in addition to the 5% paid by the subsidiary. The Corporation is also contingently liable as guarantor of a \$300,000 note payable of an indirect subsidiary and of \$111,932.02 of appliance accounts receivable sold by indirect subsidiaries.
- (4) For status of Federal income tax liability for the years prior to 1934, see consolidated balance sheet Note 4 on pages 23 and 24.
Separate Federal income tax returns were filed for the years beginning with 1934. Deficiencies amounting to approximately \$640,050 have been asserted against the Corporation for the years 1934 and 1935; the proposed deficiencies are being contested. The latest return examined by the Treasury Department covers the year 1935.
- (5) On April 14, 1939, Associated Gas and Electric Corporation received "Notice of Claim" for amounts of "Business Tax" allegedly due to the City of New York for tax periods 1933-1937, inclusive, aggregating \$126,911.75 (including interest and penalties). It is the position of the Corporation that the said assessments are void. A request for hearing as to the jurisdiction of the New York City tax authorities over the Corporation was filed on June 30, 1939. No date for hearing has yet been fixed.
- (6) At December 31, 1938, there were pending a number of cases in which recoveries have been sought in connection with securities of the Corporation and of its parent company, Associated Gas and Electric Company, involving a total of approximately \$70,000 principal amount or equivalent of securities of the Corporation and of Associated Gas and Electric Company. These suits have been inactive for the most part for considerable lengths of time.

Associated Gas and Electric Corporation

and Subsidiary Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1938 and 1937

ASSETS

	1938	1937
FIXED CAPITAL—Plant, property, etc. (1937 figure has been adjusted by \$334,447.42—see page 19).....	\$ 917,875,273.22	\$ 914,449,502.62
INVESTMENTS:		
Affiliated companies (including notes and accounts receivable).....	39,388,429.84	40,328,213.20
Miscellaneous (partly pledged).....	12,445,850.79	12,773,867.80
DEPOSITS FOR MATURED BONDS, BOND INTEREST, DIVIDENDS, ETC. (contra)	1,250,975.52	2,054,366.54
DEPOSITS FOR SINKING FUNDS, CONSTRUCTION, ETC.....	4,344,371.96	2,627,822.67
CASH (including working funds).....	9,758,240.43	8,995,741.81
NOTES AND ACCOUNTS RECEIVABLE:		
Customers	9,340,617.42	9,059,777.36
Appliances—instalment accounts (partly pledged as additional security for appliance accounts receivable sold)	1,688,632.93	2,031,772.63
Miscellaneous (including amounts due from employees).....	1,381,019.17	1,354,886.92
MATERIALS, SUPPLIES (including construction material) AND MERCHAN- DISE (book inventories adjusted to physical inventories taken at various dates, at average cost).....	5,041,717.92	6,068,072.31
APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra).....	3,395,406.79	4,949,996.62
DEFERRED DEBIT ITEMS:		
Unamortized debt discount, premium and expense.....	27,098,252.56	22,656,943.83
Prepayments	895,372.64	1,162,106.27
Miscellaneous unadjusted debits.....	2,046,221.80	2,893,693.95
TOTAL	<u>\$1,035,950,382.99</u>	<u>\$1,031,406,764.53</u>

NOTE:

This statement is subject to the footnotes and caption comments of the consolidated balance sheet contained in the 1938 and 1937 annual reports.

Associated Gas and Electric Corporation

and Subsidiary Companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

December 31, 1938 and 1937

LIABILITIES		
	1938	1937
CAPITAL STOCK OF ASSOCIATED GAS AND ELECTRIC CORPORATION —671,000 shares of no par value common stock authorized, issued and outstanding (held by Associated Gas and Electric Company).....	\$ 7,398,000.00	\$ 7,398,000.00
CONSOLIDATED SURPLUS:		
Capital surplus reserved for conversion of debentures.....	27,061,030.00	28,045,480.00
Capital (1937 figure has been adjusted by \$334,447.42—see page 19).....	149,690,059.95	204,477,138.06
Earned—since December 31, 1937.....	2,394,554.96	—
INDEBTEDNESS OF ASSOCIATED GAS AND ELECTRIC CORPORATION TO STOCKHOLDER:		
Notes payable (subordinate to all other indebtedness of the Corporation):		
5% income note, due December 1, 1980.....	71,805,120.00	71,805,220.00
Non-interest-bearing note, due on or before December 1, 1983.....	4,879,583.59	10,000,000.00
Account payable	63,504.02	1,853,468.00
TOTAL	\$ 263,291,852.52	\$ 323,579,306.06
LESS: INVESTMENTS OF SUBSIDIARIES IN SECURITIES OF ASSOCIATED GAS AND ELECTRIC COMPANY.....	4,348,812.70	54,424,302.88
NET	\$ 258,943,039.82	\$ 269,155,003.18
CAPITAL STOCK OF SUBSIDIARY COMPANIES AND APPLICABLE SURPLUS OR DEFICIT:		
General Gas & Electric Corporation:		
Preferred stocks (including cumulative dividends not currently being paid)..	\$ 6,156,363.45	\$ 5,820,322.10
Common stocks	11,584,962.84	14,125,190.57
Other subsidiary companies:		
Preferred stocks	73,698,994.17	71,764,264.16
Common and participating stocks.....	2,177,042.66	2,176,615.74
TOTAL	\$ 93,617,363.12	\$ 93,886,392.57
LONG-TERM DEBT:		
Associated Gas and Electric Corporation (less held by agent for exchange, etc.)	\$ 145,012,890.00	\$ 144,514,960.00
Subsidiary companies (less held in sinking and other funds, etc.)—(including amounts maturing within one year).....	392,707,923.48	388,776,166.79
TOTAL	\$ 537,720,813.48	\$ 533,291,126.79
FEDERAL INCOME TAX NOT DUE WITHIN ONE YEAR.....	\$ 5,700,000.00	—
MATURED BONDS, BOND INTEREST, DIVIDENDS, ETC. (contra).....	1,250,975.52	\$ 2,054,366.54
MATURED LONG-TERM DEBT AND INTEREST-BEARING SCRIP OF SUBSIDIARIES (less held in treasury, etc.).....	3,596,154.84	3,288,000.00
NOTES AND ACCOUNTS PAYABLE TO AFFILIATED COMPANIES.....	283,728.68	362,302.79
NOTES PAYABLE (\$6,219,757.06 collateralized in 1938, \$7,617,590.01 in 1937)....	9,056,376.75	11,658,064.82
ACCOUNTS PAYABLE	5,569,259.80	7,023,710.35
DIVIDENDS (being currently paid) ACCRUED ON PREFERRED STOCKS OF SUBSIDIARY COMPANIES.....	232,771.88	235,436.12
TAXES ACCRUED OR PAYABLE.....	12,188,940.55	7,808,648.40
INTEREST AND MISCELLANEOUS ACCRUALS.....	9,322,682.77	8,544,194.21
CUSTOMERS' SERVICE AND LINE DEPOSITS.....	6,020,692.29	5,858,784.62
APPLIANCE ACCOUNTS RECEIVABLE SOLD (contra).....	3,395,406.79	4,949,996.62
RESERVES AND MISCELLANEOUS UNADJUSTED CREDITS:		
Retirements, renewals and replacements of fixed capital (including adjustments arising through revaluation of fixed capital).....	79,804,142.96	70,907,076.38
Doubtful accounts receivable.....	1,162,491.97	1,265,819.84
Additional Federal income tax for prior years (subject to final determination)..	1,701,517.57	3,650,924.75
Cumulative dividends, not currently being paid, on preferred stocks of subsidiaries	422,216.33	190,988.75
Other reserves and miscellaneous unadjusted credits.....	2,579,506.77	4,141,391.97
CONTRIBUTIONS FOR EXTENSIONS (non-refundable).....	3,382,301.10	3,134,535.83
TOTAL	\$ 1,035,950,382.99	\$ 1,031,406,764.53

NOTE:

This statement is subject to the footnotes and caption comments of the consolidated balance sheet contained in the 1938 and 1937 annual reports.

Associated Gas and Electric Corporation
and Subsidiary Companies

COMPARATIVE STATEMENT OF CONSOLIDATED INCOME

For the years ended December 31, 1938 and 1937

(Including operations of companies acquired in 1938 and 1937 from the dates of acquisition only)

	1938	1937
OPERATING REVENUES:		
Electric	\$102,932,610.84	\$101,068,927.94
Gas	14,186,220.35	13,691,986.20
Steam heating, water, ice, transportation, etc.....	12,204,153.28	10,838,167.02
TOTAL OPERATING REVENUES.....	\$129,322,984.47	\$125,599,081.16
OPERATING EXPENSES AND TAXES:		
Operating expenses	\$ 57,143,648.76	\$ 55,717,462.20
Maintenance	8,138,852.52	9,085,360.52
Provision for retirements, renewals and replacements of fixed capital.....	11,981,814.90	10,876,466.28
Provision for taxes:		
Federal income and excess profits.....	3,619,821.08	2,870,233.99
Other	13,644,842.34	12,489,842.64
TOTAL OPERATING EXPENSES AND TAXES.....	\$ 94,528,979.60	\$ 91,039,365.63
OPERATING INCOME	\$ 34,794,004.87	\$ 34,559,715.53
OTHER INCOME:		
Interest, dividends, etc. (including income of a subsidiary company arising from charges taken up by other subsidiaries in operating expenses).....	\$ 1,392,144.58	\$ 2,288,866.10
Less—Non-operating expenses	630,237.97	352,992.08
TOTAL OTHER INCOME.....	\$ 761,906.61	\$ 1,935,874.02
GROSS INCOME	\$ 35,555,911.48	\$ 36,495,589.55
DEDUCTIONS FROM INCOME:		
Subsidiary companies:		
Interest on long-term debt.....	\$ 18,826,373.98	\$ 18,305,868.66
Other interest	1,164,642.41	1,335,197.94
Less—Interest charged to construction (<i>credit</i>).....	<i>195,931.43</i>	<i>162,793.35</i>
Amortization of debt discount, premium and expense.....	1,290,285.25	1,441,391.08
Dividends on preferred stocks paid or accrued.....	4,524,527.11	4,477,078.11
Income applicable to minority interest.....	242,420.42	226,351.35
TOTAL	\$ 25,852,317.74	\$ 25,623,093.79
Balance	\$ 9,703,593.74	\$ 10,872,495.76
Associated Gas and Electric Corporation:		
Interest on eight-year bonds.....	\$ 621,737.79	\$ 641,355.91
Interest on convertible debentures.....	1,328,888.33	1,411,158.86
Interest on income debentures.....	4,336,544.13	4,156,041.38
Other interest	1,651.38	—
Amortization of debt discount and expense.....	102,109.77	77,837.08
TOTAL	\$ 6,390,931.40	\$ 6,286,393.23
BALANCE OF INCOME.....	\$ 3,312,662.34	\$ 4,586,102.53

NOTES:

- (1) The 1937 figures have been revised, for comparative purposes, to include \$189,693.74 of non-recurring expense which amount was treated as a surplus charge in last year's annual report.
- (2) This statement is subject to the footnotes and caption comments of the statement of consolidated income contained in the 1938 and 1937 annual reports, other than the item included in Note (1) above.

Associated Gas and Electric Corporation

and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

December 31, 1938

Capital Stock: General Gas & Electric Corporation	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Preferred:			
\$5.00 Prior Preferred—Cumulative.....	60,000	30,024	29,976
\$6.00 Cumulative Convertible Preferred—Series A.....	335,814	323,873	11,941
\$6.00 Cumulative Convertible Preferred—Series B.....	283,990	276,268	7,722
\$7.00 Cumulative Preferred.....	22,267	20,135	2,132
\$8.00 Cumulative Preferred.....	13,544	12,105	1,439
Common:			
Class A Common.....	4,911,319	2,622,364	2,288,955
Class B Common.....	3,047,000	3,036,985	10,015

Preferred Stocks: Other Subsidiary Companies	Rate per share	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Eastern Shore Public Service Company.....	\$6.00	20,177	8,308	11,869
Eastern Shore Public Service Company.....	6.50	14,538	656	13,882
Florida Power Corporation.....	3.50	5,940	962	4,978
Florida Power Corporation—Series A.....	7.00	28,762	15,729	13,033
Georgia Power and Light Company.....	6.00	10,572	4,200	6,372
Guilford Water Company, The.....	6.00	300	292	8
Hampton Water-Works Company, The.....	6.00	622	486	136
Keystone Public Service Company.....	2.80	11,939	2,665	9,274
Mars Hill & Blaine Water Company.....	6.00	210	160	50
Metropolitan Edison Company—Prior Preferred.....	5.00	199	61	138
Metropolitan Edison Company—Prior Preferred.....	6.00	91,802	325	91,477
Metropolitan Edison Company—Prior Preferred.....	7.00	5,734	—	5,734
Metropolitan Edison Company.....	5.00	5,686	5,110	576
Metropolitan Edison Company.....	6.00	95,886	82,306	13,580
Metropolitan Edison Company.....	7.00	11,518	10,243	1,275
New Jersey Power & Light Company.....	5.00	1,041	1,023	18
New Jersey Power & Light Company.....	6.00	33,060	12,986	20,074
New York State Electric & Gas Corporation.....	1.25	3,878	165	3,713
New York State Electric & Gas Corporation.....	5.00	33,796	31,296	2,500
Northeastern Water and Electric Corporation—Cumulative if earned.....	4.00	91,579.3	—	91,579.3
NY PA NJ Utilities Company—Non-Cumulative.....	3.00	6,138.2	443.1	5,695.1
Ohio-Midland Light and Power Company.....	5.00	1,978.6	1,968.5	10.1
Pennsylvania Edison Company.....	2.80	84,029	107	83,922
Pennsylvania Edison Company.....	5.00	123,466	184	123,282
Rochester Gas and Electric Corporation—Series C.....	6.00	27,000	9,267	17,733
Rochester Gas and Electric Corporation—Series D.....	6.00	171,871	1,029	170,842
Rochester Gas and Electric Corporation—Series E.....	5.00	40,000	—	40,000
Salisbury Water Supply Company, The.....	6.00	450	414	36
South Carolina Electric & Gas Company—Prior Preferred	6.00	25,000	24,397	603
South Carolina Electric & Gas Company.....	7.00	13,105	12,351	754
Tide Water Power Company.....	6.00	23,858	11,000	12,858
Utilities Employees Securities Company—Non-Cumulative	5.00	16,740	14,141	2,599
Virginia Public Service Company.....	6.00	53,764	17,842	35,922
Virginia Public Service Company.....	7.00	40,440	2,602	37,838
York Railways Company.....	2.50	32,000	28,814	3,186

Common and Participating Stocks: Other Subsidiary Companies	Shares outstanding	Shares eliminated in consolidation	Shares held by public
Clarion River Power Company, The—Participating.....	44,530	40,262.3	4,267.7
Eastport Water Company—Common.....	1,000	855	145
Northeastern Water and Electric Corporation—Common.....	172,235	155,747	16,488
Ohio-Midland Light and Power Company—Class A.....	3,778.6	3,767.2	11.4
Ohio Northern Public Service Company, The—Common.....	1,930	1,915	15
Utilities Employees Securities Company—Class A.....	100,000	82,000	18,000
Utilities Employees Securities Company—Common.....	1,000	—	1,000
Utility Management Corporation, The—Common.....	102,410	86,890	15,520
York Railways Company—Common.....	50,000	49,629	371
Miscellaneous water companies—6 (shares held by public are less than 1% of total outstanding in each case).....	7,310	7,294	16

Associated Gas and Electric Corporation

and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

December 31, 1938

Long-term Debt: Associated Gas and Electric Corporation	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
Eight-year Bonds, due 1940.....	8	\$ 8,815,400.00	\$ 1,696,630.00	\$ 7,118,770.00
Convertible Debentures, due 1973.....	4	594,300.00	35,700.00	558,600.00
Convertible Debentures, due 1973.....	4½	10,485,935.00	169,100.00	10,316,835.00
Convertible Debentures, due 1973.....	5	14,689,025.00	162,550.00	14,526,475.00
Convertible Debentures, due 1973.....	5½	1,668,470.00	9,350.00	1,659,120.00
Income Debentures, due 1978.....	3½	11,361,390.00	1,562,160.00	9,799,230.00
Income Debentures, due 1978.....	3¾	39,963,230.00	10,887,485.00	29,075,745.00
Income Debentures, due 1978.....	4	70,019,455.00	10,017,110.00	60,002,345.00
Income Debentures, due 1978.....	4½	18,983,640.00	7,027,870.00	11,955,770.00
Total				\$145,012,890.00

(List of trustees and interest paying agent contained on page 32)

Long-term Debt: Subsidiary Companies	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
ASSOCIATED ELECTRIC COMPANY:				
Bonds, due 1953.....	4½	\$29,853,000.00	\$ 4,563,600.00	\$ 25,289,400.00
Bonds, due 1961.....	5	35,000,000.00	489,300.00	34,510,700.00
CANADEA POWER CORPORATION:				
First Mortgage Thirty-year Bonds, due 1958.....	5	2,000,000.00	—	2,000,000.00
EASTERN POWER COMPANY:				
Collateral Note, due 1941-1945.....	5	3,350,000.00	—	3,350,000.00
EASTERN SHORE PUBLIC SERVICE COMPANY:				
First Mortgage and First Lien Bonds:				
Twenty-year, Series A, due 1947.....	5½	4,800,000.00	20,000.00	4,780,000.00
Twenty-five-year, Series B, due 1955.....	5	2,250,000.00	107,500.00	2,142,500.00
ERIE LIGHTING COMPANY:				
First Mortgage Fifty-year Sinking Fund Bonds, due 1967	5	4,678,500.00	17,000.00	4,661,500.00
FLORIDA POWER CORPORATION:				
First Mortgage Bonds, Series C, due 1966.....	4	10,000,000.00	50,000.00	9,950,000.00
Sinking Fund Debentures, due 1946.....	5	2,231,000.00	—	2,231,000.00
FLORIDA PUBLIC SERVICE COMPANY:				
First Mortgage Bonds, Series C, due 1955.....	4	6,000,000.00	527,900.00	5,472,100.00
GENERAL UTILITY INVESTORS CORPORATION:				
Collateral Note, } due 1939.....	4½	656,918.00	—	656,918.00
Collateral Note, } due 1940.....	4½	2,950,000.00	—	2,950,000.00
GEORGIA POWER AND LIGHT COMPANY:				
First Mortgage Bonds, due 1978.....	5	3,139,000.00	50,000.00	3,089,000.00
HAZLETON WATER COMPANY:				
First Mortgage Bonds, Series A, due 1958.....	4½	1,000,000.00	—	1,000,000.00
INDIANA GAS UTILITIES COMPANY:				
First Mortgage Bonds, due 1946.....	5	815,000.00	192,000.00	623,000.00
KEYSTONE PUBLIC SERVICE COMPANY:				
First Mortgage Bonds, due 1978.....	5	4,000,000.00	—	4,000,000.00
LAKE SHORE GAS COMPANY, THE:				
First Mortgage Bonds, due 1950.....	5½	604,000.00	244,000.00	360,000.00
LEXINGTON WATER POWER COMPANY:				
First Mortgage Bonds, Series due 1968.....	5	11,183,100.00	2,751,200.00	8,431,900.00
Convertible Sinking Fund Debentures, due 1953.....	5½	3,249,500.00	3,029,300.00	220,200.00
LONG ISLAND WATER CORPORATION:				
First Mortgage Bonds, Series due 1955.....	5½	2,144,000.00	66,000.00	2,078,000.00
MANILA ELECTRIC COMPANY:				
The Manila Electric Railroad and Lighting Corporation				
Fifty-year First Lien and Collateral Trust				
Sinking Fund Bonds, due 1953.....	5	1,689,000.00	1,155,000.00	534,000.00
MARYLAND LIGHT AND POWER COMPANY, THE:				
First Mortgage Bonds, Series A, due 1950.....	5½	1,089,000.00	113,000.00	976,000.00
METROPOLITAN EDISON COMPANY:				
First Mortgage Bonds, Series D, due 1968.....	4½	22,830,500.00	58,000.00	22,772,500.00
First Mortgage Bonds, Series E, due 1971.....	4	4,684,000.00	3,000.00	4,681,000.00
First Mortgage Bonds, Series G, due 1965.....	4	11,710,900.00	—	11,710,900.00

Associated Gas and Electric Corporation

and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

December 31, 1938

Long-term Debt: Subsidiary Companies (continued)	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
METROPOLITAN EDISON COMPANY (continued):				
Delaware Gas Light Company First Mortgage Forty-year Bonds, due 1939.....	5	\$ 143,000.00	—	\$ 143,000.00
York Haven Water and Power Company Fifty-year Bonds, due 1951.....	5	1,247,500.00	—	1,247,500.00
NEW JERSEY POWER & LIGHT COMPANY:				
First Mortgage Bonds, due 1960.....	4½	13,920,000.00	\$ 6,000.00	13,914,000.00
New Jersey Northern Gas Company First Mortgage Bonds, due 1952.....	5	255,000.00	100,000.00	155,000.00
NEW YORK STATE ELECTRIC & GAS CORPORATION:				
First Mortgage Bonds, due 1965.....	4	14,808,500.00	893,500.00	13,915,000.00
First Mortgage Bonds, due 1960.....	4½	3,490,000.00	700.00	3,489,300.00
First Mortgage Bonds, due 1980.....	4½	17,094,500.00	175,100.00	16,919,400.00
Promissory Note, due 1939.....	4	1,200,000.00	—	1,200,000.00
Promissory Note, due 1942.....	4½	3,460,000.00	—	3,460,000.00
Elmira Water, Light and Railroad Company First Consolidated Mortgage Fifty-year Bonds, due 1956.....	5	5,000,000.00	72,000.00	4,928,000.00
Empire Gas and Electric Company General and Refunding Mortgage Bonds, Series A, due 1952.....	6	1,720,000.00	49,000.00	1,671,000.00
Empire Gas and Electric Company and Empire Coke Company Joint First and Refunding Mortgage Bonds, due 1941.....	5	2,634,000.00	40,000.00	2,594,000.00
NEW YORK CENTRAL ELECTRIC CORPORATION:				
First Mortgage Bonds, due 1952.....	5	662,000.00	58,000.00	604,000.00
First Mortgage Bonds, due 1950.....	5½	3,049,000.00	71,000.00	2,978,000.00
Seneca Power Corp. First Mortgage Bonds, due 1946.....	6	393,500.00	7,500.00	386,000.00
NORTHEASTERN WATER AND ELECTRIC CORPORATION:				
Twenty-year Collateral Trust Bonds, due 1954.....	6	2,999,950.00	100,800.00	2,899,150.00
NORTH PENNSYLVANIA POWER COMPANY:				
First and Refunding Mtge. Bonds, Series A, due 1956....	5	1,369,900.00	26,000.00	1,343,900.00
First and Refunding Mortgage Bonds, due 1962.....	5	2,089,600.00	105,300.00	1,984,300.00
Sayre Electric Company First Mtge. Bonds, due 1947..	5	294,000.00	—	294,000.00
NY PA NJ UTILITIES COMPANY:				
Secured Debentures, due 1956.....	5	3,926,500.00	725,400.00	3,201,100.00
The Metropolitan Edison Corporation Secured Consolidated Refunding Bonds, due 1961.....	6	3,001,900.00	2,261,100.00	740,800.00
The Mohawk Valley Company:				
Consolidated Refunding Bonds, due 1991.....	6	1,564,900.00	362,400.00	1,202,500.00
Debentures, due 2031.....	6	205,100.00	77,300.00	127,800.00
Rochester Central Power Corporation Debentures, Series A, due 1953.....	5	1,001,000.00	98,500.00	902,500.00
OHIO-MIDLAND LIGHT AND POWER COMPANY:				
The Scioto Valley Railway and Power Company First Mortgage Twenty-year Bonds, due 1943.....	6	937,000.00	587,500.00	349,500.00
PENNSYLVANIA EDISON COMPANY:				
Penn Central Light and Power Company:				
First Mortgage Bonds, due 1977.....	4½	25,700,000.00	300,000.00	25,400,000.00
First Mortgage Bonds, due 1979.....	5	2,175,000.00	—	2,175,000.00
PENNSYLVANIA ELECTRIC COMPANY:				
First and Refunding Mortgage Bonds:				
Series F, due 1971.....	4	6,657,000.00	149,000.00	6,508,000.00
Series H, due 1962.....	5	17,313,500.00	3,174,700.00	14,138,800.00
Penn Public Service Corporation First and Refunding Mortgage Bonds:				
Series C, due 1947.....	6	4,549,000.00	20,000.00	4,529,000.00
Series D, due 1954.....	5	2,435,000.00	32,000.00	2,403,000.00
PENOBSCOT COUNTY WATER COMPANY:				
First and Refunding Mortgage Bonds, due 1942.....	6	250,000.00	—	250,000.00
ROCHESTER GAS AND ELECTRIC CORPORATION:				
General Mortgage Bonds:				
Series D, due 1977.....	4½	6,000,000.00	—	6,000,000.00
Series E, due 1962.....	5	8,323,000.00	—	8,323,000.00
Series F, due 1966.....	4	15,000,000.00	—	15,000,000.00
Series G, due 1966.....	3¾	3,000,000.00	—	3,000,000.00

Associated Gas and Electric Corporation

and Subsidiary Companies

STATEMENT OF SECURITIES IN WHICH THERE IS A PUBLIC INTEREST

December 31, 1938

Long-term Debt: Subsidiary Companies (continued)	Interest rate %	Amount outstanding	Amount eliminated in consolidation	Amount held by public
ROCHESTER GAS AND ELECTRIC CORPORATION (continued):				
GENERAL MORTGAGE BONDS (continued):				
Series H, due 1967.....	3¾	\$ 3,000,000.00	—	\$ 3,000,000.00
Series I, due 1967.....	3½	1,657,000.00	—	1,657,000.00
SOUTH CAROLINA ELECTRIC & GAS COMPANY:				
Broad River Power Company First and Refunding Mortgage Bonds, Series A, due 1954.....	5	8,361,900.00	\$5,967,900.00	2,394,000.00
The Part Shoals Power Company First Mortgage Sink- ing Fund Bonds, due 1952.....	5	1,735,000.00	2,000.00	1,733,000.00
SOUTHEASTERN INVESTING CORPORATION:				
Collateral Note, due 1940.....	4½	1,114,000.00	—	1,114,000.00
STATEN ISLAND EDISON CORPORATION:				
Richmond Light and Railroad Company First and Collateral Trust Purchase-money Mortgage Fifty- year Bonds, due 1952.....	4	1,000,000.00	—	1,000,000.00
TIDE WATER POWER COMPANY:				
First Mortgage Bonds, Series A, due 1979.....	5	6,261,500.00	15,000.00	6,246,500.00
TRACY DEVELOPMENT COMPANY:				
First Mortgage Bonds, due 1944.....	6	114,000.00	—	114,000.00
UNION GAS & ELECTRIC COMPANY:				
First Mortgage Bonds, due 1940.....	5	376,000.00	236,000.00	140,000.00
UTILITIES EMPLOYEES SECURITIES COMPANY:				
Income Notes and Bonds, due 1981 (including pay- ments received on subscription accounts).....	8-6	8,374,946.10	100,000.00	8,274,946.10
New England Capital Corporation Debentures, due 1964	6	999,650.00	—	999,650.00
UTILITY MANAGEMENT CORPORATION, THE:				
W. S. Barstow & Company S. F. Debentures, due 1942..	6	237,000.00	—	237,000.00
VIRGINIA PUBLIC SERVICE COMPANY:				
First Mortgage and Refunding Twenty-year Bonds:				
Series A, due 1946.....	5½	14,544,500.00	467,000.00	14,077,500.00
Series B, due 1950.....	5	8,700,000.00	1,461,000.00	7,239,000.00
Series C, due 1952.....	6	3,000,000.00	76,000.00	2,924,000.00
Twenty-year Sinking Fund Debentures, due 1946.....	6	3,505,500.00	—	3,505,500.00
Newport News and Hampton Railway, Gas and Electric Co. First and Refunding Mortgage Bonds, due 1944..	5	3,996,500.00	—	3,996,500.00
Southside Virginia Power Company First Mortgage Bonds, Series A, due 1956.....	5	2,000,000.00	—	2,000,000.00
YORK RAILWAYS COMPANY (excluding matured bonds):				
First Mortgage Thirty-year Bonds, due 1947.....	5	3,572,000.00	813,000.00	2,759,000.00
MISCELLANEOUS (\$234,420.41 due in 1939).....	—	3,545,263.78	1,096,104.40	2,449,159.38
Total (\$2,234,338.41 maturing within one year) ..				\$392,707,923.48

The above statement of long-term debt of subsidiary companies does not include bond and debenture issues, etc., which are entirely eliminated in consolidation, aggregating \$566,767,900.

TRUSTEES AND INTEREST PAYING AGENT

(Associated Gas and Electric Corporation)

Long-term Debt	Interest rate %	Interest dates	Interest payable at	Trustees
			(see references below)	
Eight-year Bonds, due 1940.....	8	M&S-15	1	2
Convertible Debentures, due 1973.....	4	M&S-15	1	3
Convertible Debentures, due 1973.....	4½	J&D-1	1	3
Convertible Debentures, due 1973.....	5	J&D-1	1	3
Convertible Debentures, due 1973.....	5½	F&A-1	1	3
Income Debentures, due 1978.....	3½	M&S-15	1	3
Income Debentures, due 1978.....	3¾	M&N-1	1	3
Income Debentures, due 1978.....	4	A&O-1	1	3
Income Debentures, due 1978.....	4½	F&A-1	1	3

REFERENCES:

- 1 Transfer and Paying Agency, 41 Trinity Place, New York, N. Y.
- 2 Central Hanover Bank and Trust Company, New York, N. Y.
- 3 The Public National Bank and Trust Company of New York, New York, N. Y.

Associated Gas and Electric Corporation

and Subsidiary Companies

COMPARATIVE CONSOLIDATED STATISTICS

For the years ended December 31, 1938 and 1937

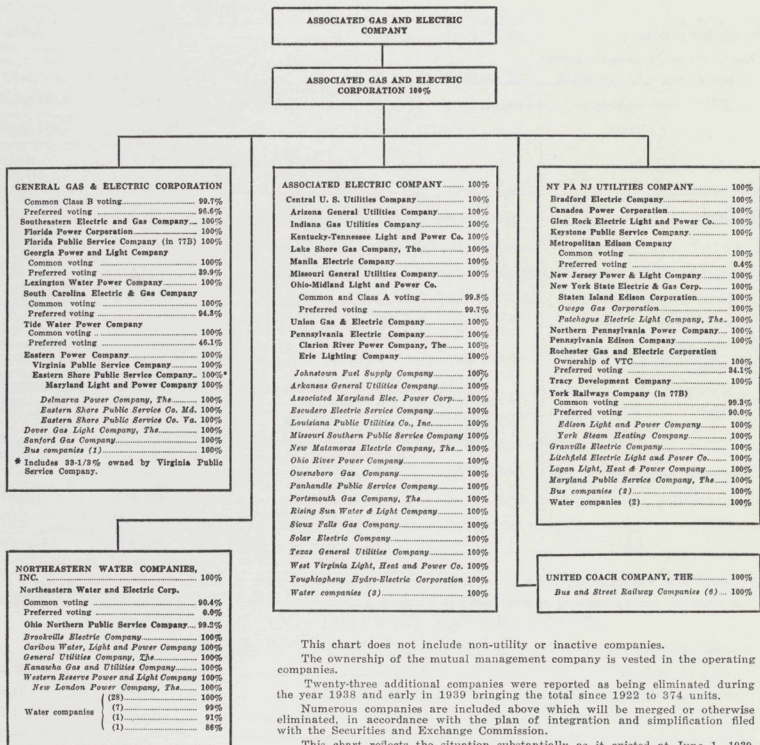
ELECTRIC DEPARTMENT:	1938	1937
Electricity sold—kilowatt hours:		
Residential	825,253,885	745,188,752
Other	2,876,284,097	3,134,855,085
Total	<u>3,701,537,982</u>	<u>3,880,044,437</u>
Number of customers:		
Residential	1,127,037	1,088,521
Other	214,579	210,123
Total	<u>1,341,616</u>	<u>1,298,644</u>
Miles of transmission lines (11,000 volts and over).....	12,103	12,000
Kilowatt generating capacity.....	1,877,920	1,334,144
 GAS DEPARTMENT:		
Gas sold—cubic feet:		
Residential	9,757,859,500	9,592,186,900
Other	8,235,255,900	7,811,764,800
Total	<u>17,993,115,400</u>	<u>17,403,951,700</u>
Number of customers:		
Residential	299,461	296,726
Other	21,990	21,639
Total	<u>321,451</u>	<u>318,365</u>
Miles of gas mains.....	4,126	4,077
Daily manufacturing capacity—cubic feet.....	81,213,000	81,293,000
 WATER DEPARTMENT:		
Water sold—gallons	9,107,143,500	9,491,100,000
Number of customers.....	96,769	94,514
Miles of water mains.....	1,635	1,607
Daily pumping capacity—gallons.....	186,400,000	182,898,000
 STEAM HEATING DEPARTMENT:		
Steam sold—pounds	1,874,176,800	2,127,574,700
Number of customers.....	2,193	2,257
Miles of steam mains.....	51	51

NOTE:

The above figures have been adjusted in both years to include sales and other statistics of all properties owned at December 31, 1938, irrespective of dates of acquisition.

Chart of Ownership — Public Utility Companies Showing Percentage of Voting Stock Ownership

Companies shown in italics have no securities outstanding with the public.



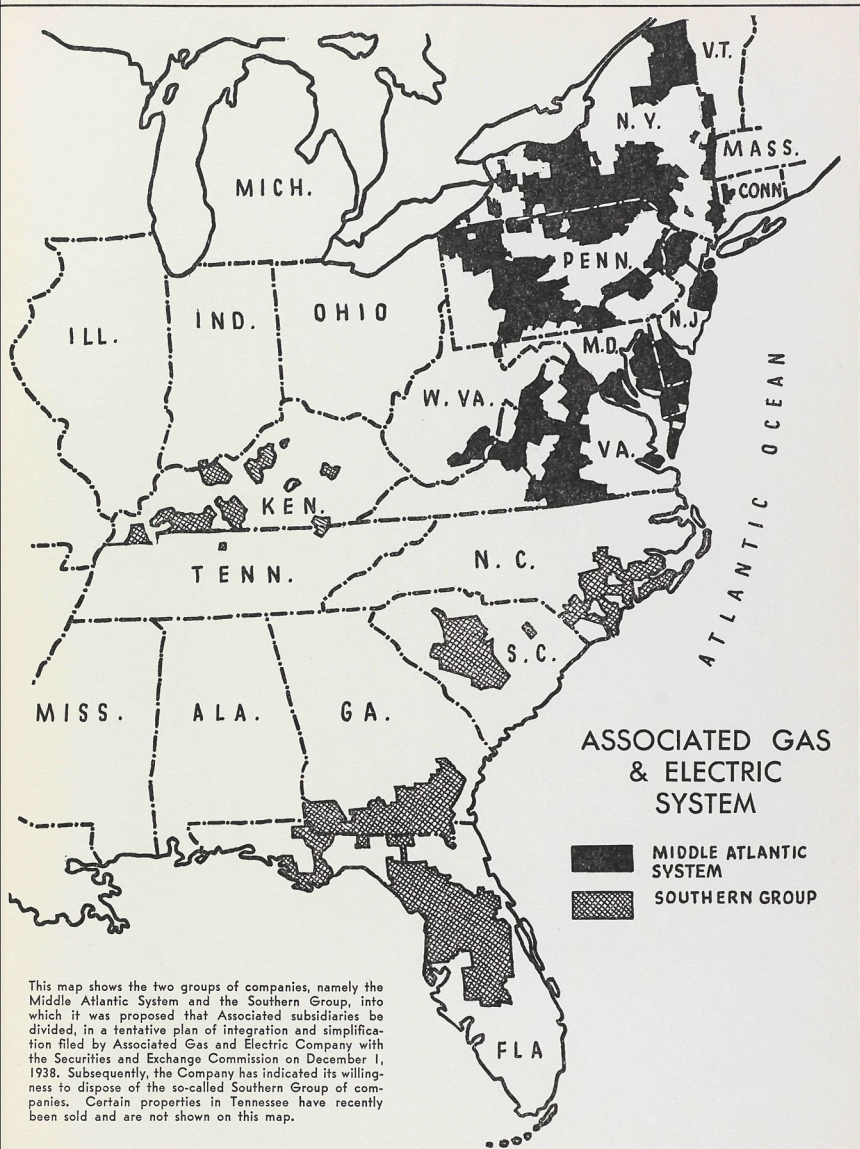
This chart does not include non-utility or inactive companies.

The ownership of the mutual management company is vested in the operating companies.

Twenty-three additional companies were reported as being eliminated during the year 1938 and early in 1939 bringing the total since 1922 to 374 units.

Numerous companies are included above which will be merged or otherwise eliminated, in accordance with the plan of integration and simplification filed with the Securities and Exchange Commission.

This chart reflects the situation substantially as it existed at June 1, 1939.



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